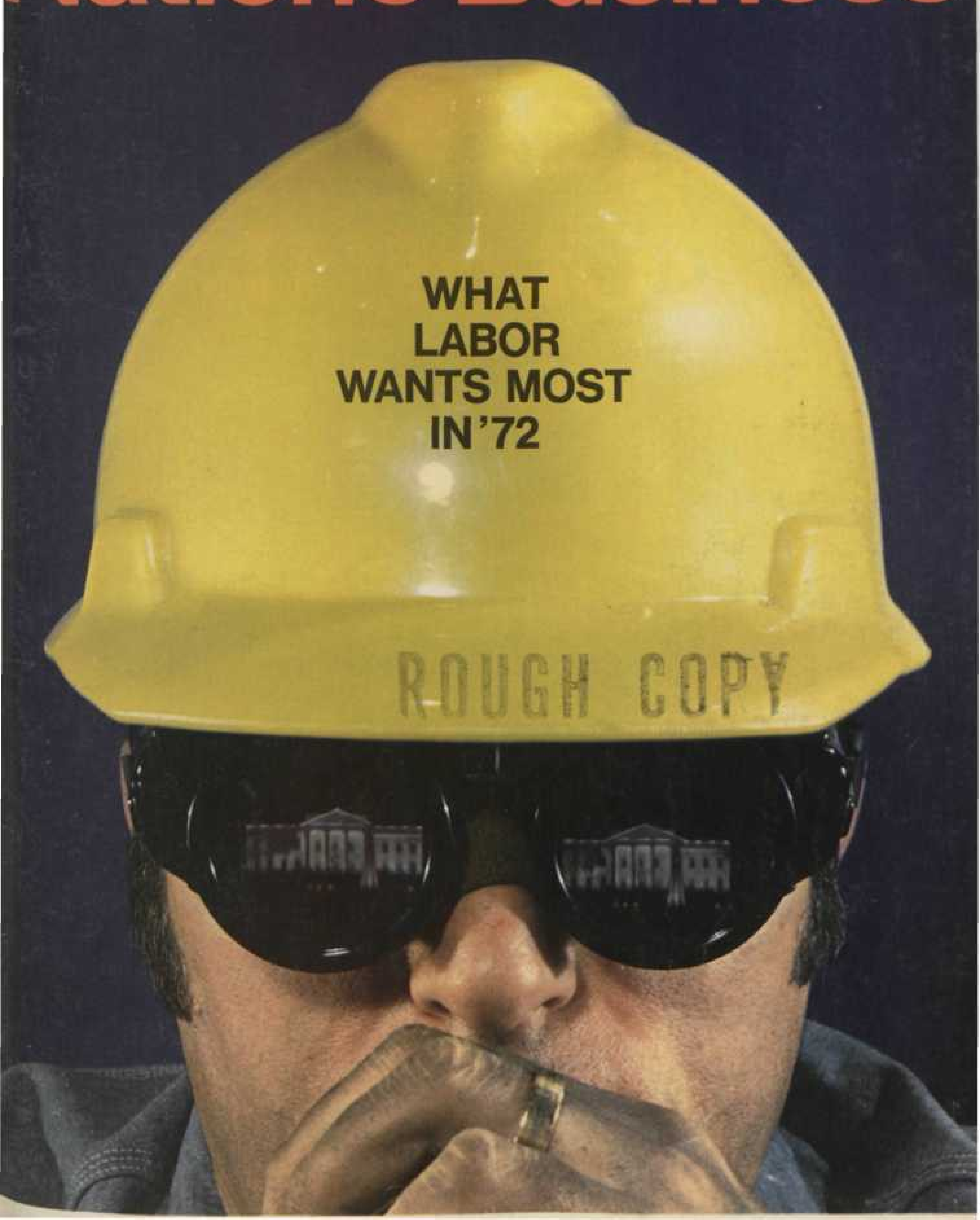
A USEFUL LOOK AHEAD FROM WASHINGTON

APRIL 1972

Nation's Business



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NB-1

Nation's Business

Cover photograph by Yoichi Okamoto

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VOLUME 60 | PUBLISHED IN WASHINGTON, D.C., BY THE CHAMBER OF COMMERCE OF THE
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APRIL 1972 | MORE THAN FIVE MILLION BUSINESS AND PROFESSIONAL PEOPLE AND COMPANIES.

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Sterling G. Slappey

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Memo From the Editor

Nation's Business • Published by the Chamber of Commerce of the United States • 1615 H Street N.W., Washington, D.C. 20006

If you haven't noticed, the gleam in the eye of that guy on our cover is the White House.

The model represents union labor in this political year. And what the unions want most is control of the White House. They're using plenty of money and muscle to try to get that control. They want a lot of other things, too. You'll find a rundown on the whole anti-business list in the article beginning on page 24 by our labor specialist David McLean.

One of the things the unions will be pushing is a vast national health care scheme, to be financed by tax dollars. It could be one of the most costly programs ever proposed. Nobody knows what the results might be but a lot of us have a lot of misgivings.

England, of course, has a nationalized medical system in effect now. So we felt we might get some indication of what might happen here by looking at what's happened there.

One of the first heads of the British system was J. Enoch Powell, at that time Minister of Health and now a member of the British Parliament. He's a colorful conservative who minces no words in describing his views.

Mr. Powell (left) with Nation's Business Publisher Arch Booth and Charles Harbaugh, Chamber Executive Manager.

Nation's Business editors sat down with Mr. Powell twice—once in Washington, once in London—and chatted at length about nationalized medicine and other problems common to our two countries.

You'll find our report, entitled "A Fashionable Folly," starting on page 74.

• • •

Still another folly highlighted in this issue is our federal spending spiral. There seems to be no limit on proposals for new federal programs.

The key man in Congress who must pass on all this money is Rep. George Mahon, Chairman of the House Appropriations Committee. And he's worried about the constant pressure for more.

In the article beginning on page 34 Chairman Mahon warns we're spending our way to disaster.

• • •

Such federal deficit spending, of course, is one of the most important inflationary pressures we face. The current wage and price controls will have little effect in the long run unless something is done about such basic causes.

At the moment, businessmen are in agreement that the controls are needed to help hold the pressures in check. That's revealed in our Quarterly Business Outlook Survey to which more than 450 executives replied. A report on it starts on page 44.

Many Washington observers, however, are concerned that there seems to be little action toward permanent solutions to our economic problems.

We've been sold the controls program as a temporary measure to "buy time" while more basic corrections can be studied and put into force. Yet it's difficult to find any evidence in Washington that this is being done. The National Chamber has offered constructive suggestions for economic stability but they have not so far been adopted.

• • •

On the brighter side, business is moving ahead to find practical answers to some of the questions raised by consumerism. Executives from many areas of business are cooperating in the National Business Council for Consumer Affairs formed by the President. Their goal is to find voluntary ways in which business can demonstrate its goodwill toward customers. You will find a progress report on page 85.

• • •

One of our regular features is missing this month. You won't find a report on the results of last month's "Sound Off to the Editor" question. In the future the results will follow the question by two months, instead of one as in the past.

Delaying the report will give us time to obtain a much more representative sample of your opinions than we have been able to present in the past. The time between issues is just too short to do the job we'd like to do on that report.

To tell the truth, sometimes it seems too short to do the job we'd like to do on most everything.

Jack Wooldridge

Letters

Brickbats for VAT

• Cartoons are all well and good when they tell the whole story. However, your cartoon article on VAT ["The ABC's of VAT," March] neglected to indicate that the ultimate payer of the value-added tax is the consumer. That loaf of bread doesn't go to the consumer for $2.80, its assumed value, but for $2.80 plus the 14-cent VAT. Those cheerful bakers, millers, farmers and grocers don't intend to absorb the added tax themselves. It's the consumers, many of whom are poor and can ill afford it, who will pay the new taxes in the end.

CAROL B. HILLMAN
New York, N.Y.

• VAT is the bureaucrats' dream of the millennium come true. Here, in the case of the "bread" transaction, will be four tax returns to be prepared, paid, checked, audited from time to time, and fought about in court on occasion after the audits. What a lot of beautiful new federal jobs this will create.

EDWARD B. SEEGERS
President
Southeastern Molasses & Supply Corp.
Okeechobee, Fla.

• The consumer will be paying all of the VAT tax, ultimately. The average citizen pays less than $800 per year in property taxes and many pay none. Reducing property taxes with VAT would result in an annual gross loss of a minimum of $100 for each property taxpayer. Assuming that the tax for an average family is 5 per cent and their annual income is $10,000, the above would apply.

The net result of the plan would be to reduce corporation income tax, and the benefactors will be big industry and "fat cats" that own the majority of corporate stock. The small increase in dividends received by the small, American stock investor would be exceeded by the VAT scheme.

ROBERT A. HOPKINS
Slide Chart Corp.
Van Nuys, Calif.

Unfair to patentees

• Your discussion of the Burke-Hartke trade isolation bill ["New Peril for the Multinational Corporation," February] was enlightening as to the frightening tax and ownership consequences. However, the anomalous and inequitable results which would be worked upon patentees is insufficiently emphasized.

The Burke-Hartke bill and the similar Abzug bill (H.R. 11783) would permit foreclosure of foreign activities to patentees as some sort of punishment for obtaining a patent.

Under these bills, a U.S. patentee could not license manufacturers abroad. Therefore, a U.S. patentee would not as actively seek foreign patents, since they would be useless in generating royalties. This would mean that foreign manufacturers could produce abroad without paying royalties to the U.S. innovator. Even worse, in the case of method and process patents, the end product could be imported into the United States outside of the U.S. patent.

Of course, an inventor could forego the U.S. patent and gain patents in the rest of the world which can be licensed. The Alice in Wonderland combinations and permutations go on and on.

One other thing—the article states that the Burke-Hartke bill would "set stiff controls on use of U.S. patents abroad." Since U.S. patents are strictly territorial, their use is inherently limited to the United States. I believe your statement of the bill's intent is correct, but it does not appear that Rep. Burke and Sen. Hartke understand the limited negative right a patent affords, or, more basically, the mechanism by which patents promote the progress of science and the useful arts.

THOMAS W. O'ROURKE
Patent Attorney
Boulder, Colo.


You can cut operating costs before you even put her in the water. Better look into it.
The time to cut operating costs is before your new equipment is in operation. Marine lubrication is a good case in point.
Mobil helps you lower operating costs two ways. First, we start you with the right lubricant that may cut your lube consumption as much as 25%, and save you thousands of dollars more by letting you use a more economical fuel.
Second, once your vessel's in operation, Mobil marine reps are available at every major port of call to help you maintain that efficient operation through oil-and-engine analysis.
Mobil does for marine power what it does for plant and factory. Our Marine Lubrication Program is just as effective as our Hydraulic Oil Program, our Cutting Oil Program, our Rust Preventive Program. It's designed to help you increase efficiency, lower costs, and use less oil.
Yes, use less oil. By selling less and less oil to more and more companies, we've become the biggest supplier of marine and commercial lubricants in the business.
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We sell more by selling less.
PACIFIC FAR EAST LINE'S VESSEL PHOTOGRAPHED IN AVONDALE SHIPYARDS.

Letters *continued*

How to create jobs

• In regard to your "Double Jeopardy" editorial [February] pointing up the economic dilemma of insidious inflation on one hand and unacceptable unemployment on the other, it should be noted that minimum-wage legislation sponsored by Sen. Harrison Williams of New Jersey and Congressman John Dent of Pennsylvania is aimed at pricing low-skilled workers out of their jobs and causing widespread unemployment throughout the nation.

Most Congressmen, however, are aware of the desperate job market and they especially want to help the returning servicemen find useful employment. Some of the more liberal Senators believe the main thrust in creating jobs should come from massive public spending.

On the other hand, there are some economic realists in Congress. Rep. Wilbur Mills has pointed out that despite federal spending programs, "the government has never been able to create the kind of jobs that sustain the economy." According to Rep. Mills, "the private sector is the heart of the economy that we must look to for establishing jobs; that is, the American business community."

The greatest hope for job prospects for the returning veteran, whose blend of skills and self-discipline make him an ideal candidate for employment, lies within this business community. Business begets business in creating new jobs. Small independent businesses must therefore be encouraged so they can grow and offer new job opportunities, and new firms must enter the economy at a faster rate, if we are to create more employment for the young people of this country.

The most effective measure that Congress can take at this time to assist the small independent businesses who hire most of the young people and returning servicemen is to exempt small business from all minimum-wage laws. This would be far more constructive than explaining a trillion-dollar economy to a Viet Nam veteran who can't find a job.

GEORGE P. PETRAKIS
Centralia, Mo.

Health bill reappraised

• I have just read your excellent summary of the various proposals for national health insurance ["The Coming Battle Over Health Care," November]. I would call your attention to a single error.

The article states, that the Kennedy plan (The Health Security Act) would add $59 billion to the federal budget. The original estimate by the Committee for National Health Insurance was $59 billion; since that time, however, the Department of Health, Education and Welfare has determined that actual first-year costs of the Kennedy proposal would be $77 billion, a figure which has been verified by at least one draftsman of the bill (Dr. Frank Furstenberg), in a 1971 speech before the American Enterprise Institute.

DR. MARVIN H. EDWARDS
Editor, Private Practice, Journal of the Congress of County Medical Societies Oklahoma City, Okla.

Pipe sewage sludge

• Re your editorial, "1984, Senate-Style" [December]. One third of the U.S. population lives in the Northeastern part of the U.S. If we can pipe oil from Texas to New Jersey, we can pipe sewage out to Nevada, Utah, Colorado, Wyoming, Arizona and New Mexico. This could help fertilize and irrigate an area that could become very productive and green as a result.

This idea is a lot better than dumping in the rivers, oceans, etc. Nobody has tried it yet.

GEORGE M. FEDOR
Mt. Holly, N.J.

Education can be fun

• I was intrigued with the item "Hooking Students on the Classroom" in "Panorama of the Nation's Business" [January]. The case histories, to which you refer, prove that our educational institutions are still staffed by competent, dedicated and innovative instructors. I believe that such teachers should be fully supported by our school boards as well as the parents.

Here's more power to teachers who believe that education should be interesting as well as informative.

CHESTER S. MACIASZEK
Columbia, S.C.

With all due respect . . .

• In your January issue you published an article by Dr. George S. Odiorne entitled "Up the Pyramid . . . er . . . Doughnut . . . er . . . Beehive!"

I am slightly acquainted with George Odiorne and I have a great deal of respect for him as an individual. Also, I admire the contributions he has made over many years as a professor and consultant.

With all due respect, however, I can only characterize the article as flashy and superficial.

DONALD R. THOMPSON
Vice President
Industrial Relations
Warner Gear/Warner-Motive
Muncie, Ind.

Hope for the Tribe

• Re your interview with Bob Hope ["Lessons of Leadership," February]. Show me a "shrewd" investor and I'll show you someone who's dumped his Cleveland Indians stock. I'd say Bob Hope was more of a "public spirited" investor if he still holds his minority interest in the hapless Tribe.

RON AARON EISENBERG
Washington, D.C.

[*Editor's Note: He does.*]

Scores government waste

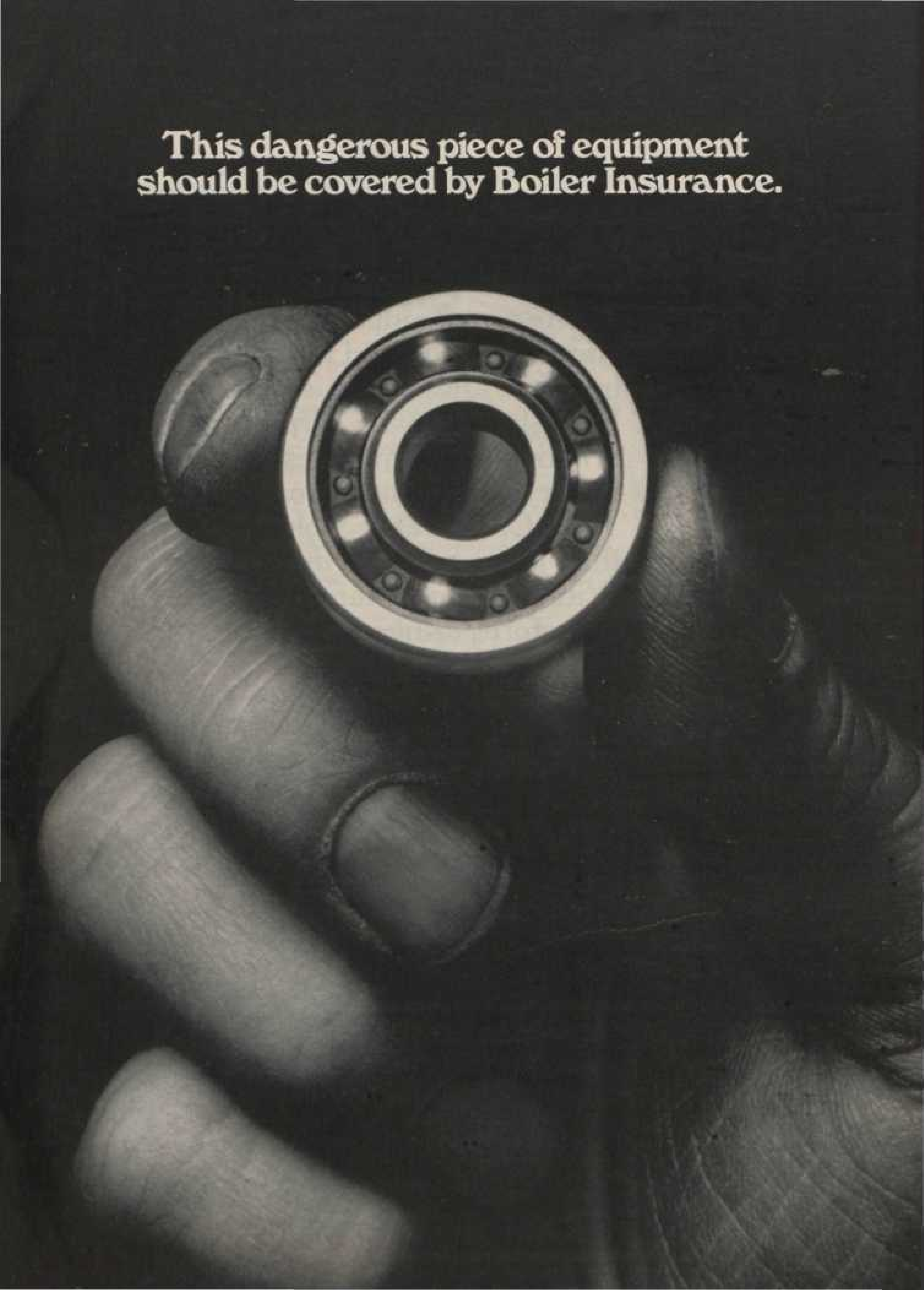
• Read with interest the article "When the Job Safety Inspector Knocks" [February] and was appalled at the cost of administering the act. By July 1, they intend to have 552 inspectors plus the people employed in the regional and area offices.

Do you realize that if each inspector is paid $10,000 a year—and that is a low figure—over $5 million is spent in salaries?

I would be willing to venture that 95 per cent of all businesses are covered by insurance and the insurance companies make their own inspections of businesses. If any company has a large number of claims, the insurance company, to protect its interests, will suggest very strongly that safety precautions be taken—and without any cost to the taxpayer.

This is just another example of waste by the federal government and a program instituted without any regard to cost.

MRS. E. L. FENNEWALD
Martinsburg, Mo.


This dangerous piece of equipment
should be covered by Boiler Insurance.

An ordinary ball bearing isn't as harmless as it looks. Bearings freeze. And break. And the resulting chain of circumstances can be unpredictable, dangerous and expensive.

In the same sense, all machinery is dangerous. Yet a lot of plant equipment remains uninsured.

The problem: the buyer's doubts

Some buyers tend to forget that "Boiler" means "Boiler and Machinery" insurance. So they buy a policy covering pressure vessels and let it go at that. Or, knowing that state laws make inspection of such items mandatory, they may feel that they don't have to be insured at all.

It's no secret that accidents covered by Boiler and Machinery insurance can be catastrophic. Why then, is it so peculiarly neglected?

Possibly because some executives think that other forms of insurance, such as Fire with Extended Coverage, are sufficient protection. And that buying Boiler and Machinery would be buying overlapping coverage.

Not so. No other form of insurance can protect you against many specific hazards. And as for overlapping, it can be minimized or even eliminated by exercising reasonable care in buying.

Another reason may be the policy itself. The subject matter is technical, and is expressed in technical language. So the buyer may conclude that it's a subject for the plant engineer rather than for the risk manager.

Again, not so. The coverage is vital. And you don't have to become an engineer to buy or understand it.

The goal: accident prevention

Interestingly, as disastrous as boiler explosions can be, they don't happen frequently. The explanation is that the danger in boilers is so obvious that almost every state requires periodic inspection.

The dangers lurking in machinery aren't as obvious. And therefore tend to be ignored. If all machinery were inspected as boilers are, accident frequencies might drop dramatically.

When your equipment is covered by Boiler and Machinery insurance, at least you have a safeguard. It is clearly in the insurance company's interest to try to prevent accidents. So it maintains a staff of field engineering representatives trained to inspect equipment.

But there is no substitute for a program of thorough inspections, supervised by a plant's own safety department, in preventing accidents.

Save premium dollars with minimal pain

Boiler and Machinery insurance is essential. But it needn't be expensive.

For instance, on three-year policies, the policyholder is entitled to a "gradation credit" on the amount of premium over $3000. And with multiple locations, you can combine policies for a larger credit.

Some equipment is used only seasonally. Some is standby, for emergency use only. In either case, ask whether you can get premium credits.

Perhaps some of your equipment shouldn't be covered at all. If your deductible is $1000 you have little hope of recovery on losses involving items of equipment valued at less than that. You can effect savings by self-insuring them.

If you occupy multiple locations, ask for a "Blanket Limit of Liability", which extends your largest amount of coverage to each location.

But don't save on the coverage that counts

Since most equipment contains hazards, the logical approach to coverage is to assume that whatever *can* happen, will.

A method of coverage which has become widespread is called the Blanket Group Plan. You just list categories instead of listing the specifically insured items. Premiums are based only on items covered, so you don't pay for something you don't need. And you're *automatically* covered for any new equipment, if it's at the named locations and in the insured categories.

Most important, include Business Interruption coverage. Accidents to equipment have a nasty way of interrupting production. You may or may not need refinements like "consequential" coverage, which protects you against such losses as spoilage or deterioration resulting from an accident. But Business Interruption coverage itself is so necessary that Boiler and Machinery insurance can hardly be completely effective without it.

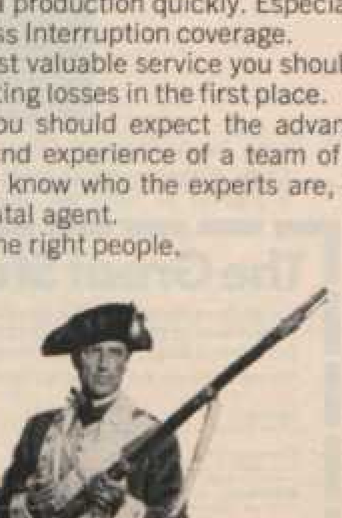
Should you expect more than just claims payments?

Unequivocally, yes. If a loss does occur, the staff of a knowledgeable insurance company can and should provide invaluable assistance. They're experts at knowing where to locate parts, replacements and services. And they have an obvious vested interest in getting you back into full production quickly. Especially when you have Business Interruption coverage.

But the most valuable service you should expect is help in preventing losses in the first place.

In short, you should expect the advantages of the knowledge and experience of a team of experts. And if you don't know who the experts are, ask your nearest Continental agent.

He knows the right people.



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Goodby, fireball; hello, square?

WANTED: VICE PRESIDENT - MARKETING

Growth company with plans to enter expanding new markets wants bright young executive, with innovative ideas, to balance older management team. Salary: $40,000—plus bonuses.

You don't see those ads anymore, executive recruiters sigh.

"Youth's had its fling," says Thomas Meade, president, Kremple & Meade, Los Angeles-based executive recruiters.

"In the Sixties, everybody wanted swingers.

"When clients sought a president, or a general manager, they'd say: 'Look for fireballs'—men in the middle to late 30s.

"But no more. Now it's mature executives, 45 to 50, to run the company or a big division." Other recruiters sense the same trend.

"When everything was gung ho—new venture capital deals booming, lots of money sloshing around, the stock market shooting through the roof—it was felt that young guys had more zing," says Carl P. Ray, vice president, Ward Howell Associates, Inc., New York.

"But the economy has slowed down. And the demand has switched to maturity and experience."

Too many swingers stumbled, says Gardner W. Heidrick, Heidrick & Struggles, Chicago, Ill.

"In the last two years, companies were often burned. They found that bright young M.B.A. grads, even though aggressive and ambitious, didn't have solid business experience."

When things became tough, he adds, they just didn't click.

"Now companies have changed their tune. For a president, or other top officers, the watchword's experience. And a good profit-and-loss track record.

"Age isn't a barrier. They'll take men in their 50s." This switch, Mr. Heidrick reports, applies particularly to small and medium-size companies.

He says: "Experience and maturity were always a must with big corporations." One recruiter flippantly sums it up like this: "It's goodby, fireball; hello, square."

Kept on the job with platinum handcuffs

"That's what some say about phantom stock plans," one expert states.

"Especially plans set up to pay off only at retirement."

Here's how phantom plans work, says Robert E. Sibson, Sibson & Co., Inc., management consultants:

An executive gets credit for one or more phantom units.

Each unit represents a share of his company's stock. When he cashes them in, his company gives him the stock—or the current market value of the stock in cash.

"In some cases, these plans are a short-term reward for performance," Mr. Sibson says. "In others, they're a long-range way to let an executive build up something like equity in his firm.

"Then, his payoff comes only when he retires.

"Hence, the plan handcuffs him to his job."

That's too distant a reward to have much appeal, Mr. Sibson says. However, he adds, short-term plans are grabbier—for employee and employer.

Under the new tax law, he says, income paid this way is considered ordinary income and may come under the 50 per cent tax ceiling on personal earnings.

"At the same time," Mr. Sibson says, "it's a business deduction to the company."

Executive Trends

continued

Executives in skirts

They're rare—but their ranks are growing.

Recently, the Bureau of National Affairs, Inc., took a survey of some 300 firms whose members serve in its personnel policies forum.

"One out of four report they have one or more women in top management jobs," BNA says.

That's a big increase over 1967, when BNA took a similar poll.

"And 40 per cent of the firms," it says, "report they have women executives at the middle management level." That's also part of a rising curve. Despite these distaff gains, minority members made bigger ones, BNA finds.

"Sixty-eight per cent of the companies report they had significantly upped the number of minority members on their management teams. But only 56 per cent said they had done so for women."

Sex—and race—are the two reasons why the government most often blows the whistle on employers for discrimination.

If you're not sure how you stand, Applied Urbanetics, Inc., may be able to help you.

This Washington firm makes a graphic computer analysis of your employees. It shows where women or minority members work, what they do, how much they make and how these figures relate to local population patterns.

"It enables even the busiest boss," President Thomas C. Miles says, "to see quickly how each part of the company is doing by race and sex—even in salary level or job title."

Personal use of the company car

More than nine out of 10 fleet operators permit it.

In fact, they have for years, says the National Association of Fleet Administrators, Inc.

They did in 1969, when NAFA took a survey.

And the same figure held true in 1971, when it queried them again.

Eight out of 10 say they charge the employee for his personal use of the company car. Four out of 10 charge 4 cents a mile and up. The rest charge less.

How do they collect?

In most cases on an expense report. But about one out of five deduct from the employee's salary. That's a growing trend.

What if he uses his own car on company business?

Nearly all fleet owners say they require this, at some time or other. When they do, here's how they reimburse the employee:

	1969	1971
Nine cents a mile or less	45%	12%
Ten cents a mile	46%	63%
More than 10 cents a mile	9%	35%

"Like everything else," a NAFA spokesman says, "the cost goes up."

A tailor-made policy at ready-made prices

Want to insure your pet leopard?

Or that Impressionist painting you picked up in Paris?

That's easy for Delta Airlines employees.

They just dial the agent who handles their life insurance, and he'll write a policy to fit.

Insurers call it the Delta Plan.

A unique program set up by Parker & Co. of Georgia, Inc., a division of Frank B. Hall & Co., Inc., it's open to all Delta employees.

More than 65 per cent are covered by it. It provides them with personal insurance on almost anything—life, home, auto, art or animals.

Delta has installed seven nationwide phone lines into the Atlanta insurer's office. Any Delta employee, anywhere in the States, can reach it by dialing a special WATS number.

That puts him in touch with one of some 20 agents who work on the Delta account.

"The employee doesn't save on premiums," says Parker President Walter Wattles. "But he gets a lot of personal service—at no extra cost. It's a tailor-made suit, at ready-made prices."

WHAT WILL IT COST YOU TO BUILD AN INDUSTRIAL BUILDING IN THE SOUTHEAST? FIND OUT.

Send for our new brochure on current construction costs in the six states we serve: Virginia, North Carolina, South Carolina, Georgia, Alabama and Florida.

Included are illustrations and construction data on 20 different recently completed buildings in the region, ranging in cost from $2.25 to $11.80 per square foot. So write us and get a line on what it might cost you to build in the Southeast.

Whatever your expansion plans in the Southeast call for, we believe you'll find no other single source as knowledgeable as we are about the area's facts, figures and sites.

For your copy of Construction and Cost Data in the Southeast, or for site data information write: J. R. LeGrand, Assistant Vice President, Industrial Development, Dept. F, Seaboard Coast Line Railroad, Jacksonville, Florida 32202.

SCL
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COAST LINE
RAILROAD

Why Bob Pichette uses a Pitney Bowes postage meter for as few as 5 letters a day.

Twelve years ago, Bob Pichette set up his own business in LaSalle, Quebec, as a photographer. Since then, it's become his way of life! He married a photographer, their home became their studio, and as leading photographer in his community, he's on call at all hours. It's even made him something of a philosopher. "Nobody," he says, "nobody is really ugly." And he has pictures to prove it.

To business. About a year ago, some of Bob's mail went out with insufficient postage. Irritated, Bob looked around for a way to prevent this happening again. He decided to get a Pitney Bowes postage scale to make sure his mail would be weighed accurately. And while he was at it, he ordered a postage meter as well.

Bob got the meter simply to ensure having the correct postage on hand at all times—but to his delight, he found he'd got a whole lot more than he bargained for.

For a start, he's able to cut down on trips to the Post Office—and no more scrambling to get there before its doors close. What's more, he has a ready record of all the postage he used (a help to his accountant at tax time!).

Another useful thing for Bob is the fact that the meter postmarks all postage. If Bob tells a client he will "mail the photographs by Thursday," he has the dated metered stamp to prove that he did.

Bob even feels that, indirectly, his postage meter helps him sell more pictures. For example, if he covers a wedding on Saturday, he can have sample pictures ready by Sunday. And being independent of the Post Office, he can send them out right away so his potential customers get them by Monday—which is so soon after the happy event, that they are in a good mood to buy.

And Bob has one more benefit to come from his meter. Remembering the advice received from one of his teachers "make sure people know you," Bob is busy devising his own little ad. And his Pitney Bowes postage meter will be happy to print it for him, right beside the postage.

If the story of Bob Pichette, his postage scale and his meter makes you think you might have some use for them too, please call us and our demonstrator will come running to show what we can offer.

For more information, write Pitney Bowes, 1353 Pacific Street, Stamford, Conn. 06904, or call one of our 190 offices throughout the U.S. and Canada. Postage Meters, Mailing Equipment, Copiers, Addresser-Printers, Counters and Imprinters, Labeling and Marking Systems.

Pitney Bowes

Because business travels at the speed of paper.

Executive Trends *continued*

Who's who and what's what in '72 elections

Only 20 states have Presidential preference primaries.

Three—in Florida, Illinois and New Hampshire—are over already.

Four more—in Massachusetts, Pennsylvania, Rhode Island and Wisconsin—will be held this month.

The last four—in California, New Jersey, New Mexico and South Dakota—all fall on June 6.

These are a few of the nuggets from "Election Guide 1972."

It's a handy little pamphlet that tells, among other things:

- Who's up for re-election in the U.S. Senate.
- How many Republicans—and how many Democrats—there are in each state legislature.
- How long a term the legislators serve and when it's up.
- How soon you must file to run for one of those state offices.
- Where to register—and how late you can do it.

Businessmen, and their employees, will find it a mine of useful information.

And it's handy for in-plant or community voter education programs.

Publisher: The Chamber of Commerce of the United States, Washington, D.C.

Price: $1 for five or $70 a thousand.

Getting away in style

Is the jet liner, or the cruise ship old hat?

Or maybe just a little too plebeian?

Well, there is a plushier way to go. You can rent a yacht.

They come in all shapes and sizes. From a 50-footer, for example, that's cozy for two or three, to a 300-foot floating palace that can bunk 20 to 100.

World Yacht Enterprises, Ltd., can book you a yacht in some 20 choice spots, like the Virgin Islands, the Bahamas, the Fiji Islands, or the Mediterranean, to say nothing of Chesapeake Bay or Baja California.

More and more businesses are signing up yachts for conferences, convention hospitality suites or sales incentive awards, the firm says.

Most of the yachts are chartered part-time, when their owners can't use them.

On charter, they bring in revenue and qualify for depreciation and other business deductions.

"You can charter one for as little as $200 a week per person," President Neil Heap says, "including all meals.

"And they come, of course, equipped with crews."

What shareholders want to know

You'd be surprised. At least the Ivy Fund was.

Last year, the no-load mutual investment fund held 10 meetings for shareholders.

"They asked a lot of questions," says President Paul F. Fenton Jr.

"But the one they asked most was this: 'Why don't you own more recreation stocks?'

"And the second was: 'Why don't you put out better annual reports?' "

The fund now owns more stock in companies in the leisure time field.

"And we put out better annual reports," Mr. Fenton says. "More pictures, more data about the stocks we own—and why we bought them."

The fund held shareholder meetings in Boston, Mass.; Washington, D.C.; Alexandria, Va.; San Francisco, Calif.; Los Angeles, Calif.; Detroit, Mich.; Des Moines, Iowa; Miami, Fla.; and East Orange, N.J. Average attendance: 100.

The result?

"A better understanding of the investment aims of our 32,000 shareholders," Mr. Fenton says.

"They came to learn—not heckle.

"And that surprised us, since we didn't do too well in 1969 and 1970. Most of them had bought shares in 1967 and 1968—when we had very good years."

The fund found the time and effort worthwhile.

"We're doing it again this year," Mr. Fenton says.

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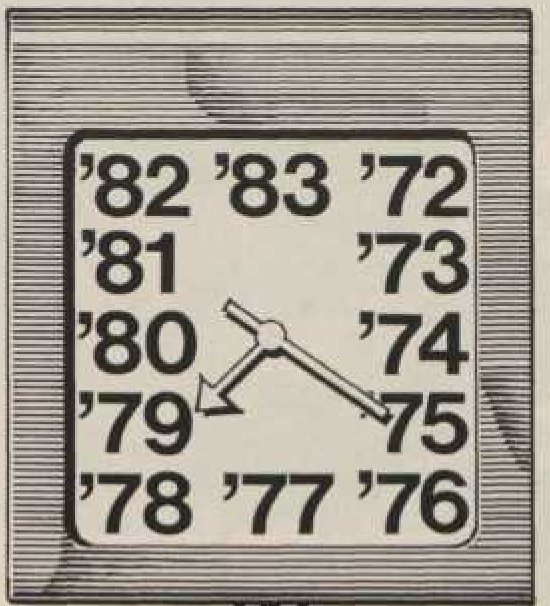

Because you want to keep good people, you probably have a profit-sharing, thrift, or money purchase pension plan in effect—or are thinking seriously of installing one. In either case, you'll want to know about Ætna's MULTIVESTOR.

MULTIVESTOR is better for you because it's suited to employer needs. It offers more options going in—and more flexibility once you are in—than any package of services ever developed by an insurance company for this purpose.

How flexible is it for employees? Very. They can choose from a number of ways to invest their money—and from a number of ways to have their benefits paid. And they can alter these choices as their individual situations or the economy change.

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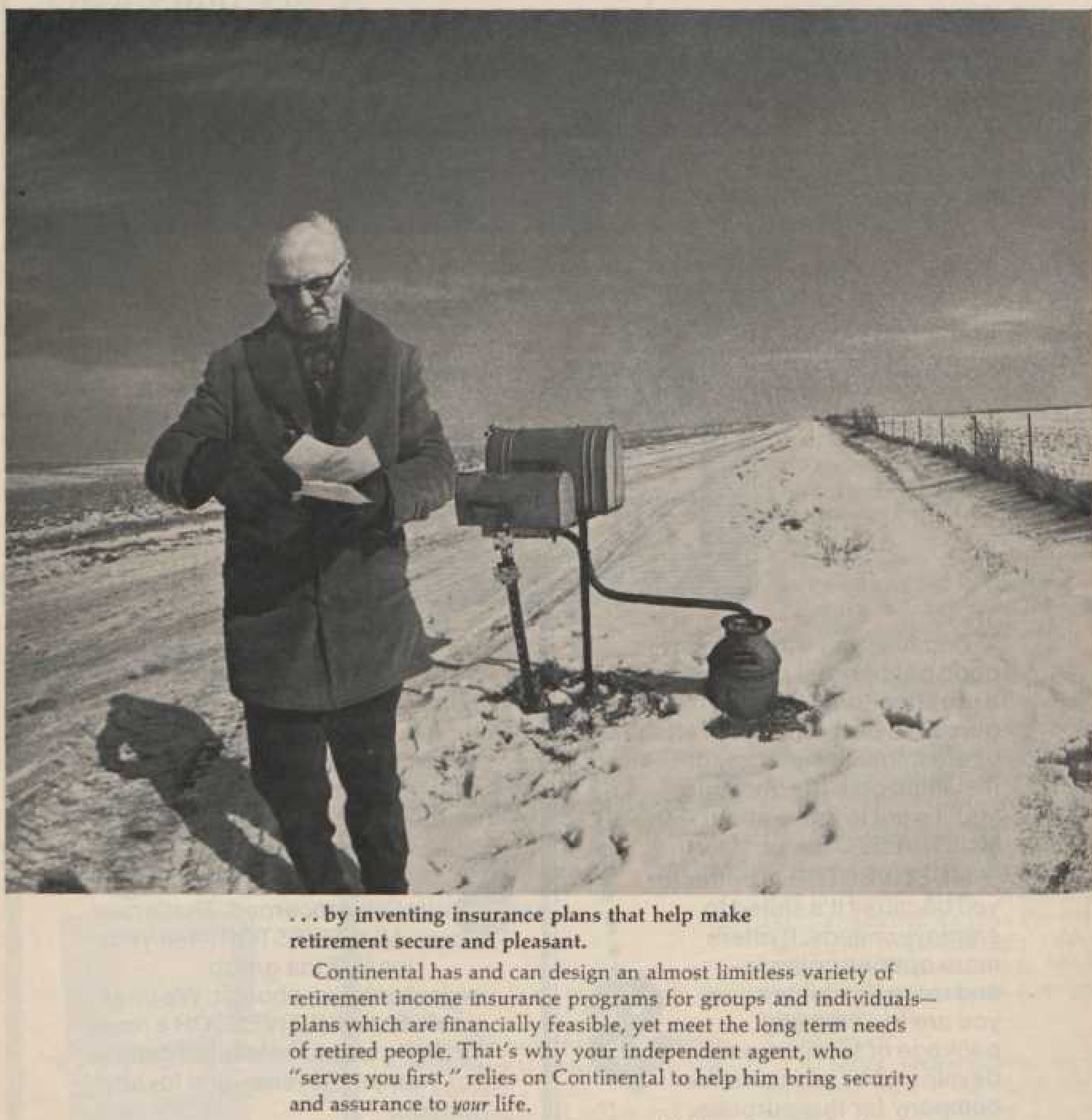

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a CNA/insurance service CONTINENTAL ASSURANCE CO., CHICAGO, ILL. 60604 CNA FINANCIAL CORPORATION ©1972

PANORAMA of the nation's business

By VERNON LOUVIERE
Associate Editor

Blight Is Turned off With Electricity

Steel from many an old automobile is being used to build shopping centers, hospitals and schools.

It's being done with the aid of electricity—which is playing a significant role in ridding the American scene of the blight of auto graveyards.

One producer of electricity, Carolina Power & Light Co., estimates that about 10 per cent of what it generates is now being directed at environmental cleanup efforts. And the principal use is for pollution control devices.

"Industry and business are using more and more electricity to make better products and to make certain the manufacturing process has the least impact possible on the environment," says W. P. McPherson, CP&L's general marketing services manager.

A survey of industries served by the company shows they are installing pollution protection equipment requiring 16,500 kilowatts of power. That's about the electricity need of a city the size of Southern Pines, the popular North Carolina golf resort.

Scrap processors, using electricity, quickly deplete piles such as this.

Most of this electricity, according to Mr. McPherson, powers machinery to clean water. And the remainder is used to tackle air pollution. One of CP&L's major customers is K&L Scrap Service, near Raleigh, which is converting junk autos into marketable shredded steel. It has a giant shredder, capable of chewing up 200 car hulks a day, that uses enough electricity to operate more than 100 all-electric homes.

Some of this shredded steel is bought by Nuclear Corp. of America's Eastern Carolina Steel division, whose total-electric steel mill at Darlington can melt down at least 60 auto bodies every two hours. These old cars ultimately emerge as structural steel joists which are used from Maine to Florida.

Recent Commerce Department figures show the extent to which industry depends on electricity in the battle against pollution. Of 595 patents granted by the Patent Office last year for antipollution devices, 297 require electricity.

As CP&L President Shearon Harris has noted: "People are becoming aware that if there is to be an effective job of housecleaning done, we are going to need more electric energy to do it."

A Breath of Real Life Enters the Classroom

Industry is giving the college professor, steeped in theory, a chance to see the practical side of what he teaches.

Thanks to a program launched almost 10 years ago by the Ford Foundation, many young college faculty members are spending 12 to 15 months at work with companies. The resident fellow program, aimed primarily at engineering faculties, has been administered since 1968 by the American Society for Engineering Education.

Darrol H. Timmons, a nuclear engineering professor at the University of Missouri-Columbia, is doing a 12-month stint with Chicago's Commonwealth Edison Co., working on a developmental project involving the refueling and operation of nuclear reactors.

He says:

"It's a fantastic experience that gives me a chance to improve my practical knowledge of nuclear engineering. Being around people who depend on engineering for a livelihood . . . will enable me to give a better understanding of the state of the art to my students."

One of this year's sponsoring firms is Stone and Webster Engineering Corp. of Boston. Its chief hydroelectric engineer, Warner W. Wayne Jr., comments:

"The program is mutually beneficial to ourselves and the professors, but has more of a long-range effect on industry. Participating professors will be able to instruct their students in a knowledge that will eventually produce graduates who are better equipped to handle the real life problems encountered in an engineering career."

The number of qualified candidates has increased substantially since the program started, says Dr. Arleigh H. Markham, ASEE administrator.

"This reflects a marked change of attitude among engineering educators, who generally did not consider practical experience essential to classroom instruction," he reports. "Most engineering professors now see that practical experience in their field is vital to guiding and preparing students." *continued on next page*

An Airline Official Has a Different Route

Paul Gibson (right) and a mobile vacuum cleaner that businesses bought to clean up New York's Third Avenue.

Paul Gibson's work can take him to Harlem one day and Acapulco the next.

His job is an unusual one in the airline industry—he's vice president of American Airlines in charge of urban and environmental affairs.

Mr. Gibson is responsible for the whole spectrum of his company's programs dealing with the quality of life—everything from fighting discrimination and urban decay to helping protect the natural environment of some of the pleasure points served by American.

Many corporations have specialists who focus on urban problems or on environmental problems. But Mr. Gibson wears both hats.

He has a hand in recruiting, placing and upgrading minority-group employees at American, and he is given credit for opening doors to minority suppliers who were convinced they could not meet AA's stiff purchasing standards.

Also, Mr. Gibson headed a task force of aviation and union executives, concerned parents and educators, which persuaded the City of New York to broaden the curriculum of a vocational high school near Kennedy Airport. It now offers courses leading to careers in transportation, travel and tourism.

"Attendance at the school was 58 per cent not long ago," says Mr. Gibson. "Today, it is 90 per cent, one of the highest in the city. Most of these youngsters [predominantly poor and black] had never been to an airport. But now they are well acquainted with Kennedy and many have been taken on flights over the city. I think we have convinced many of them they don't have to settle for entry-level jobs."

Currently, Mr. Gibson is leading a drive to keep litter off New York's Third Avenue, where his company and many others are headquartered. He has encouraged several companies to put up money for a giant vacuum cleaner which the city will operate along a 15-block stretch of the avenue, as well as to buy litter cans the city says it can't afford.

"We are the biggest carrier serving New York, so when the word is out that New York is not the place to visit, it behooves us to change that image," he points out.

Meanwhile, at the Mexican resort city of Acapulco, Mr. Gibson is overseeing a project to eliminate sewage pollution. In his spare time he works with Boy Scouts in New York ghetto areas.

Music Has Charms for a Downtown

The National Bank of Detroit is using "coffee concerts" to lure suburban Detroit housewives into the downtown business district.

It's a great show for the ladies—a continental breakfast, a fashion review and the full panoply of the Detroit Symphony Orchestra.

NBD launched the "coffee concerts" in the spring of 1971 to help make the public more aware of its involvement in the community. The concerts consistently draw as many as 3,000 women to Ford Auditorium.

For the women, predominantly suburbanites who have gotten out of the habit of shopping downtown, the concert package is a bargain: The whole affair costs them about half the price of a regular symphony orchestra concert. Tickets are sold through the bank's 105 branch offices in a three-county area.

"Only rarely does a community service program yield rewards as widespread as those being realized through this novel venture," NBD President C. T. Fisher III told *Nation's Business*. "Downtown Detroit retail merchants, the orchestra, area music lovers and the bank itself all benefit."

Stores are given an opportunity to display merchandise to women who otherwise wouldn't be customers. The symphony orchestra earns additional revenues while presenting classical music to a broader range of listeners. As for the bank, its ticket-selling branch offices are attracting potential patrons.

The relationship between bank and symphony orchestra enabled Gordon Staples, the concertmaster, to obtain a $25,000 loan to buy a rare Stradivarius violin he had long wanted. Several symphony players have also borrowed from NBD to buy instruments.

NBD's coffee concerts have attracted the attention of the Foundation for Full Service Banks and have been featured by the Foundation on nationwide television.

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The Great Simplifier saves us both time and money. And, as a result we're able to pass savings on to you.

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SBA Report

A Governmental Spokesman in the Halls of Government

In the past several months, at least 28 states have conducted hearings on plans to meet national ambient air quality standards prescribed by the Environmental Protection Agency under the Clean Air Act.

The states have heard from environmentalists, business and trade associations and the U.S. Small Business Administration.

SBA has stressed the importance of reasonable and flexible state air pollution control requirements as applied to small concerns.

While SBA recognizes the necessity of strong efforts to combat air pollution, it is clear that federal standards will require costly measures which—if not moderated—could impair small firms' ability to compete, or even result in their demise.

The effort to get fair treatment for small firms when pollution regulations are set is one example of a little known but highly important function of SBA, that of the small businessman's advocate—his spokesman in the halls of government.

SBA has played this advocate's role before the Civil Aeronautics Board, the Securities and Exchange Commission, the Department of Housing and Urban Development, and the Renegotiation Board when their actions appeared to pose problems for small business.

President Nixon, in an executive order issued March 20, 1970, directed SBA to present the viewpoint of small business to other branches of the federal government.

Additionally, he directed all departments and agencies to fully consider matters materially affecting the well-being or competitive strength of small firms and their opportunities for growth.

Typical was the appearance of SBA's general counsel before the Federal Trade Commission early this year to support a proposed FTC ruling that would establish improved and fairer standards of disclosure at the outset of business relations between a franchisor and a prospective franchisee.

Another example was SBA's participation in a suit in U.S. District Court, New York, which helped reverse an Interstate Commerce Commission order permitting motor carriers to increase rates on shipments under 500 pounds. These shipments are of vital interest to small concerns.

SBA does not represent individual firms. However, if a matter is found to involve a substantial number of small firms with a common interest, it will work with them in advocacy actions.

Advocacy cases often require a wide range of data on industry background and governmental impact upon small business concerns. For this reason SBA maintains liaison with trade associations and other sources of such information.

SBA does not try to insulate small firms from competition or change, or from normal costs of compliance with the accepted rules of doing business. However, it does believe that government should give adequate consideration to their special needs.

Its advocacy program helps keep the federal government responsive to those needs.

Prepared by the Small Business Administration

Sound Off to the Editor

Should There Be a Fixed Sunday for Easter?

The trend in recent years toward changing the timing of holiday observance for convenience's sake (making George Washington's birthday, for example, automatically a Monday holiday) has once again raised the question of whether Easter should be celebrated on the same Sunday each year.

Setting the Easter observance confronted churchmen hundreds of years ago with a complicated mathematical problem involving a conflict between the Jewish and Julian calendars.

One of the things done by the famous Council of Nicaea, which the Emperor Constantine the Great summoned in 325 A.D., was to come to a determination about just when to celebrate the Resurrection of Christ.

The Council decided that the Resurrection must be celebrated everywhere on the first Sunday following the fourteenth day of the paschal full moon (the moon whose fourteenth day comes on or after March 21). There was one reservation—if the full moon happens on a Sunday, Easter is the following Sunday.

Thus Easter may fall anywhere between March 22 and April 25.

The question of a fixed Sunday for Easter—let's say, the first Sunday in April—has surfaced occasionally over the years. At one point, the Vatican said there was no canonical objection to such a change. The National Council of Churches has taken no position.

Those who would not mind seeing Easter commemorated on a fixed day say it would anchor Christendom's "movable feast." In many countries, they say, secular matters are affected by the timing of Easter. They point to such things as the sittings of courts in England and—in many nations, including ours—school vacations and the flow of trade, especially in women's clothing.

Opponents counter that the setting of the Easter commemoration is rooted in tradition and that tinkering with it serves no useful purpose.

What do you think? Should there be a fixed Sunday for Easter?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should there be a fixed Sunday for Easter? ☐ Yes ☐ No

Comments:..

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Name and title...

Company...

City...

$trictly Personal BY PETER WEAVER

■ Funds For College ■ Buying Boats ■ Credit Card Care

Building a college kitty

When you add up tuition, room, board, books and transportation, a private college for your child can cost as much as $5,500 a year. That's for now. The figure could run as high as $8,000 a decade from now.

Building after-tax income into a college fund can be extremely difficult. For example, if you're in the 50 per cent bracket, it takes $11,000 in earnings to pay the $5,500 yearly college expenses. Don't despair. There's a way you can pay for your child's education out of income that's taxed ever so lightly—and still get your investment back.

According to Eugene A. Fisher, taxation chairman, District of Columbia Association of Practicing CPA's, here's how it works:

• Transfer income-producing assets to a 10-year trust which you have drafted by an attorney. Name your minor child as beneficiary and name anyone other than yourself—your wife, your brother, anyone—as the trustee.

• Make sure the trustee distributes all income currently.

• Deposit this current income from the trust into a savings account or certificate of deposit in the child's name. Someone other than yourself should act as custodian for the account. Make sure you comply with the Uniform Gift to Minors Act.

• To insure maximum tax advantage, two years before the child enters college you should convert all income in the custodial account into a two-year certificate of deposit. When the CD matures, transfer sufficient principal into a special checking account for the child's first-year college expenses.

• Put the balance of the principal into another CD maturing the following year and put the interest from both CD's back into the child's savings account. All income earned during the college years should be kept out of the special checking account for expenses.

Why all the rigamarole? It's because parents are taxed on any income from a custodial account that's used to support a minor child. The law usually considers college education expenses as part of support. This is why parents must clearly separate current-year income from money used for college expenses.

A qualified tax attorney should be consulted before using a 10-year trust because of variations in local laws. The trust works best when set up for a child aged six or less. It also works for older children, but you get less tax leverage.

If you don't want your principal investment back, you can make an outright gift to your child under the Uniform Gift to Minors Act. Use income "separation" procedures similar to those outlined above.

Either way you do it, the income is not currently used to support the child. So the tax, if any, would be paid by the child at a much more favorable rate.

MR. WEAVER *writes a syndicated newspaper column on personal finance, and has a radio program which is broadcast by more than 100 stations.*

Better boats for better boatmen

If you're buying a boat this summer, pick the dealer carefully. Ask exactly what hull, motor and component warranties cover and for how long. Does the dealer have his own repair services? Who pays if anything has to be sent back to the factory? Unlike used cars, 90-day warranties are rarely given on used boats. You have to depend entirely on the dealer.

Will the dealer make the sale contingent on your boat's passing the Coast Guard Auxiliary "courtesy motorboat examination"? If he will, you're almost assured of getting a boat that's safe and sound. Reputable dealers know where the nearest USCG Auxiliary office can be found.

Credit card liability loophole

Businessmen who have company-billed credit cards, or use personal cards extensively for business, should review contracts to see if there's protection when a card is lost or stolen.

A credit card company recently sued a Pennsylvania businessman for $3,600 due to purchases billed to his account by a card thief. The businessman may have to pay because the card was issued to his company.

A new law, which protects credit card holders against any unauthorized charges over $50, is limited to strictly personal transactions. Business credit transactions are "exempt" from this protection.

If you have a credit card that's issued to your company, or use a personal card extensively for business, it may be a good idea to talk with your insurance agent about a special credit card rider.

For modern Huck Finns

The American River Touring Association will take you down any one of a number of wilderness rivers this summer so you can safely get away from civilization.

One trip is on the middle fork of the Salmon River through the Idaho Primitive Area. The $315 fee includes a week with food, motor-pontoon rafts and professional guides. Other trips go down the Snake River (Yellowstone), the Grand Canyon and the Copper River in Alaska.

For more information and the use of a color film, "Adventure River," write ARTA at 1016 Jackson St., Oakland, Calif. 95607.

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What Labor Wants Most in '72

ILLUSTRATIONS: JOHN [illegible]

A recent copy of "Memo from COPE," a biweekly publication of the AFL-CIO's political arm, the Committee on Political Education, had a picture of the White House on the cover.

Across the top of the page in black, heavy print were the words: "Nice House, Nice Neighborhood. . . . Who's the Next Tenant?"

The question pretty well sums up the No. 1 goal of union leaders in 1972: Defeat President Nixon and elect a candidate who organized labor thinks is more sympathetic to its interests.

Supporting political candidates, of course, is a prime labor activity in all elections. But the stakes are higher in Presidential election years. And if you can believe union rhetoric, the stakes are particularly high this year.

"Look at the record," says a COPE official in his sixth floor office at AFL-CIO headquarters, a short walk across Lafayette Square from the White House.

"Since the President has been in office prices have gone up 16 per cent, unemployment 100 per cent. The freeze was unfair, Phase II is unfair. His tax proposals will result in an $80 billion to $90 billion tax giveaway to industry over the next decade. This is a businessman's Administration.

"Nixonomics, that's the big issue."

After all, the official explains, economic matters are the prime reason for a union's existence. "Union people are all over the map on the war, busing, education," he says. "But the economic issue—that's the common thread."

While labor is working hard on the political campaign this year, politics is by no means the only arena in which it has been pushing for its goals. The Pay Board has been another major battleground.

Four labor chieftains, led by the AFL-CIO's President George Meany, angrily quit the Board last month.

After insisting on a tripartite Board before joining it last November, Mr. Meany huffed in March: "The Pay Board has been completely dominated and run . . . by a coalition of the business and so-called public members."

But despite union complaints, many observers think labor has fared far from poorly in Pay Board decisions.

George Boldt, the Pay Board chairman, notes, for instance, that the position of labor prevailed in five of eight major wage cases that came before the Board.

In addition, labor members sided with the Board majority on 36 of 54 of its key votes.

Union leaders had approached the Pay Board as if it were a collective bargaining situation. They assumed a tough, truculent stance that worked fairly well for them. So the walkout surprised many observers.

Shortly before it came, Leo Troy, a Rutgers University economist who follows union developments, commented: "While they haven't gotten everything they want, it's been good enough to keep them on the Board."

In the one issue on which labor was turned down flat—retroactive pay—Congress came to the rescue, restoring virtually all pay raises the unions lost during the 90-day freeze.

Organized labor, in fact, did not maintain a united front on the Pay Board issue. Frank E. Fitzsimmons, Teamsters president, said he would stay on the Board. Leonard Woodcock, whose United Auto Workers also are independent, joined Mr. Meany and two other AFL-CIO chiefs in quitting.

Lawsuits and strike threats are two tactics that unions may turn to this year to fight Pay Board decisions they don't like. The UAW, for instance, has gone to court to try to retrieve pay disallowed by the Board in aerospace industry contracts. The union claims the money represents accrued cost of living increases from a 1968 contract that cannot be touched by the Pay Board.

And West Coast longshoremen have talked of renewing their long strike because they object to Pay Board action trimming their first year increase to 14.9 per cent from 20.9 per cent. At press time they were huddling on what action to take. There are also strike possibilities in the trucking industry, where Teamsters are due to collect a second installment—which comes to 10 per cent—on a 1972 pay hike. Building trades members of the AFL-CIO may also consider striking.

Deferments raise hackles

The thorny problem of what to do about deferred pay raises scheduled to go into effect in the second and third year of contracts may cause headaches for the Pay Board.

The Teamsters' contract represents an example of the problem with deferred pay. The drivers' 25 cents an hour hike in January was considered within the 5.5 per cent increase guideline and permitted to take effect. Management members on the Board have hinted, however, that they intend to challenge the second increase set for June. But Teamsters President Fitzsimmons, who threatened a strike over the January raise, is adamant. He wants it all.

So the problem is how much of the second step increase to allow, considering it is just under double the 5.5 guideline. Complicating the issue is the fact that the contract was negotiated more than a year before controls began.

An upcoming deferred wage increase that is more than double the Pay Board's guideline is the 79 cents an hour or 11.6 per cent raise scheduled for 573,000 commercial construction workers.

The U.S. Department of Labor says deferred increases to take effect this year cover 6.7 million workers and average 6.1 per cent or 29.2 cents an hour. That's an increase in numbers of workers from 5.3 million in 1971 (though a drop from the 7.8 per cent or 38.1 cents an hour they collected). So the issue is a big one.

Industries with the heaviest con-

DAVID MCLEAN, *author of this article, is an associate editor of Nation's Business, specializing in labor reporting.*

What Labor Wants Most in '72 *continued*

centrations of deferred increases this year include trucking, railroads, communications, construction and metalworking, with the largest number of metalworkers employed in auto and steel production.

Up the escalator

In addition to the heavy load of deferred raises in 1972, a record 4.3 million workers are covered this year by escalator clauses that raise pay as living costs climb.

That's up from three million workers in 1971, largely because of reinstitution of cost-of-living clauses in the steel industry, where they were dropped in 1962, and because major contracts in the communications industry incorporated such clauses for the first time.

The Labor Department estimates that cost-of-living raises are likely to push up the deferred package to an average of 7.1 per cent, excluding any fringe benefit gain.

So friction may develop on the deferred raises issue in a year when the collective bargaining schedule is considerably lighter than in the past two years.

Only 2.8 million workers are under major contracts (those covering 1,000 employees or more) that expire or contain 1972 wage reopening provisions. That's a big drop from the approximately 4.75 million workers under contracts that expired in both 1970 and 1971.

Key industries in which bargaining will take place in 1972 include construction, apparel, retail trade, transportation, equipment, food and various service industries. Unlike 1970, when auto and trucking settlements were reached, or 1971, when agreements in steel and communications highlighted the year, no single settlement seems likely to dominate bargaining this year, the Labor Department reports.

And in light of public criticism of the controls program's effectiveness, the Labor Department points out that major 1971 labor pacts didn't cost as much as those signed in 1970. Average annual wage and benefit increases in agreements signed last year declined to 8.7 per cent from 9.1 per cent the year before.

Looking at wage rates alone, the Department reports the annual rate of increase over the life of contracts negotiated in 1971 averaged 8.1 per cent, down from 8.9 per cent in 1970. So while the progress may not seem great, the drive to curb inflationary wage settlements met with some success last year.

Another bright note: 1971 saw a decline in strike activity. Walkouts last year cost 45 million man-days of work, compared to 66.4 million lost in 1970. Labor Department officials think the decline can be traced in part to efforts during the freeze to avert work stoppages and to terminate existing ones. Also, the high level of unemployment probably discouraged walkouts, they think.

Fringes on top

With controls likely to dampen demands for hefty wage increases, one union strategy that may emerge in this year's bargaining sessions is concentration on liberalized extra benefits and work rules.

"It's essentially the same pattern now," says Dr. Troy, the Rutgers economist, as during World War II, when the Little Steel formula put limits on wage increases, and labor concentrated on winning fringe benefits from steel company managements.

"We can say that free collective bargaining is stifled until controls are removed," Teamsters President Fitzsimmons told a Federal Mediation and Conciliation Service seminar in January. He indicated his union would push for such things as anti-pollution clauses and stronger safety and work regulations while controls are in effect.

Emphasis on fringes and work rules could mean more complex and tougher bargaining. Why? The cost implications of such contract items as safety measures, work rules, and increased medical or dental care for workers are more difficult to figure than simple wage hikes.

Union leaders are as truculent about the other side of the stabilization program—price controls—as they are about the Pay Board.

They denounce the price system as a "sham" and a "farce" that is inequitable. Says AFL-CIO Secretary-Treasurer Lane Kirkland: "The wages of the workers and renters remain controlled. The rents they pay and the price tags on the goods they buy are not."

Partly because organized labor contends the Administration has no intention of trying to control prices and partly because the controls are complex and not easily understood, union leaders probably will continue to issue windy blasts in 1972 about the failure of price controls.

Also, union "watchdog units" to monitor prices have been set up nationwide. What role such units will try to fill is not clear. At a meeting of AFL-CIO "watchdogs" in Washington last winter, there were indications the monitors would flood the Internal Revenue Service with price complaints, hampering the agency's ability to carry out its price enforcement duties.

On the legislative front, labor has its usual lengthy shopping list prepared for presentation to Congress. An AFL-CIO legislative report lists 21 issues as unfinished business that need action in 1972.

A prime goal will be a comprehensive program for national health care. While there are several bills on

the subject, the AFL-CIO, the United Auto Workers and other unions are backing one introduced by Sen. Edward M. Kennedy (D.-Mass.) and Rep. Martha Griffiths (D.-Mich.) which proposes that most of the financing come from employer-paid payroll taxes and from general revenues.

One estimate is that the bill—the most sweeping one on health care—would add $30 billion a year to employer costs.

Another priority item is passage of the "Foreign Trade and Investment Act of 1972," also known as the Hartke-Burke bill because its official sponsors are Sen. Vance Hartke (D.-Ind.) and Rep. James A. Burke (D.-Mass.).

Essentially, the bill aims at trimming American business investment abroad and limiting the flow of imports. Strongly opposed by business, the bill embodies a union bigwigs' drive to stop what they charge is "an export of American jobs and technology."

Raising the minimum wage and hiking Social Security benefits this year are two more prime legislative goals of organized labor.

Labor will also be pushing proposals in such areas as housing, tax reform, consumer protection, changes in pension plans, manpower programs and other areas.

A thumping campaign chest

To help elect a more sympathetic Congress and put muscle behind its drive to oust President Nixon and other "unfriendly" politicians this fall, organized labor is pushing hard to build up its political campaign chest.

COPE, for instance, is urging the rank-and-file to boost their individual contributions this year to $2, up from the $1 the political unit has asked for since its founding in 1955. Because of inflation and the high cost of campaigning, explains a COPE staffer, a political dollar doesn't go as far as it used to.

COPE literature asking for the increase says: "The decision to ask union members to 'double it' was not made lightly, but only because the stakes in 1972 are so high . . . because this year COPE dollars have to do double duty. They have to help elect a friend to the White House and a pro-worker Congress to work with him."

Some unions have kicked off fund-raising drives that focus exclusively on the Presidential race. The Machinists Union is out to raise $5 million to win "The Big One," as the union's weekly newspaper calls the Presidential campaign.

How much cash labor pours into election campaigns nationwide is hard to pin down. But to get an idea, if COPE got 100 per cent results from all members of the AFL-CIO, it would have a campaign kitty of around $27 million. Of course, state-level COPE's also collect funds as do individual unions within the AFL-CIO. And outside unions like the Teamsters and United Auto Workers are active, too

COPE says its typical contribution to a candidate for the Senate runs around $10,000 to $15,000 while a candidate for the House can expect about $2,500 to $3,000 after he is endorsed. And what ensues after an endorsement in addition to the cash is of vital importance to a union-backed candidate. Labor manpower gets out the vote for him, mans telephones, baby sits and watches the polls.

COPE gives this breakdown of how the "voluntary" funds it collects are used: About 78 per cent goes to "aid liberal, pro-labor candidates," while 22 per cent pays for general COPE campaign expenses like travel, books, buttons, printing and radio and television.

With the present division in the House of Representatives of 255 Democrats and 177 Republicans (three seats are vacant), COPE strategists think more than 50 seats are in the "marginal" category—that is, they were won by 55 per cent or less of the vote in 1970 or are considered close for other reasons. Many of those races will get extra attention.

In the Senate, the present lineup is 54 Democrats, 44 Republicans, one independent and one conservative Republican. With another close Presidential race a prospect, arithmetic alone suggests the Democrats have an opportunity to increase Senate strength, as 20 G.O.P. seats and only 14 Democratic seats are up for election.

Ten Senate seats fall into the marginal category, according to COPE. They include seats now held by Republicans in Idaho, Kansas, Oregon, South Dakota, Tennessee and Wyoming, and seats held by Democrats in Montana, New Hampshire, New Mexico and Oklahoma.

Drive for delegates

In addition to raising cash, organized labor will be busy pushing registration drives, turning out literature and snaring as many seats to the Democratic national convention as it can. The AFL-CIO's strategy reportedly is to go to Miami Beach in July with 500 to 600 of the 3,000 delegates, up from the 209 seats it held in the 2,600-delegate '68 convention. The aim: Enable labor to have a larger say about the platform and in the candidate selection.

Somewhat ironically, labor's convention delegate drive has run afoul of the new reform rules for delegate selection. The rules aim at upping the representation of women, youth and minorities, which tends to work against labor's hopes to land more seats.

In registration, labor is zeroing in on the 18-to-21-year-old youngsters who have just gotten the right to vote. A coalition of youth, student and union groups called Frontlash has conducted registration drives in California, New York, New Jersey and Michigan and has plans to go into several other states.

A COPE official says the early registration of young voters has shown them to be "substantially" Democratic or independent.

COPE is also running a "youth census" to locate the children of union members so it will be able to reach them around election time. As for AFL-CIO members, COPE estimates 55 to 60 per cent are currently registered nationwide, about in line for figures on the public in general.

But voter turnout in Presidential years of registered AFL-CIO members runs as high as 85 per cent, COPE says—compared to the 61 per cent turnout of all registered voters in the '64 and '68 Presidential elections. END

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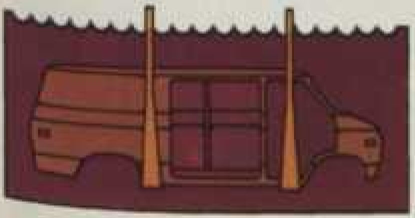

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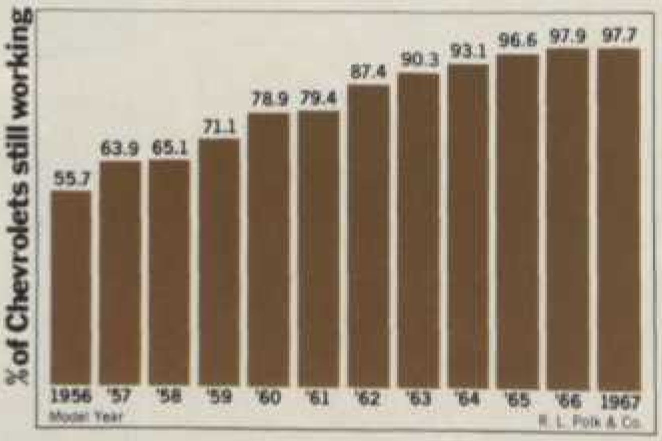

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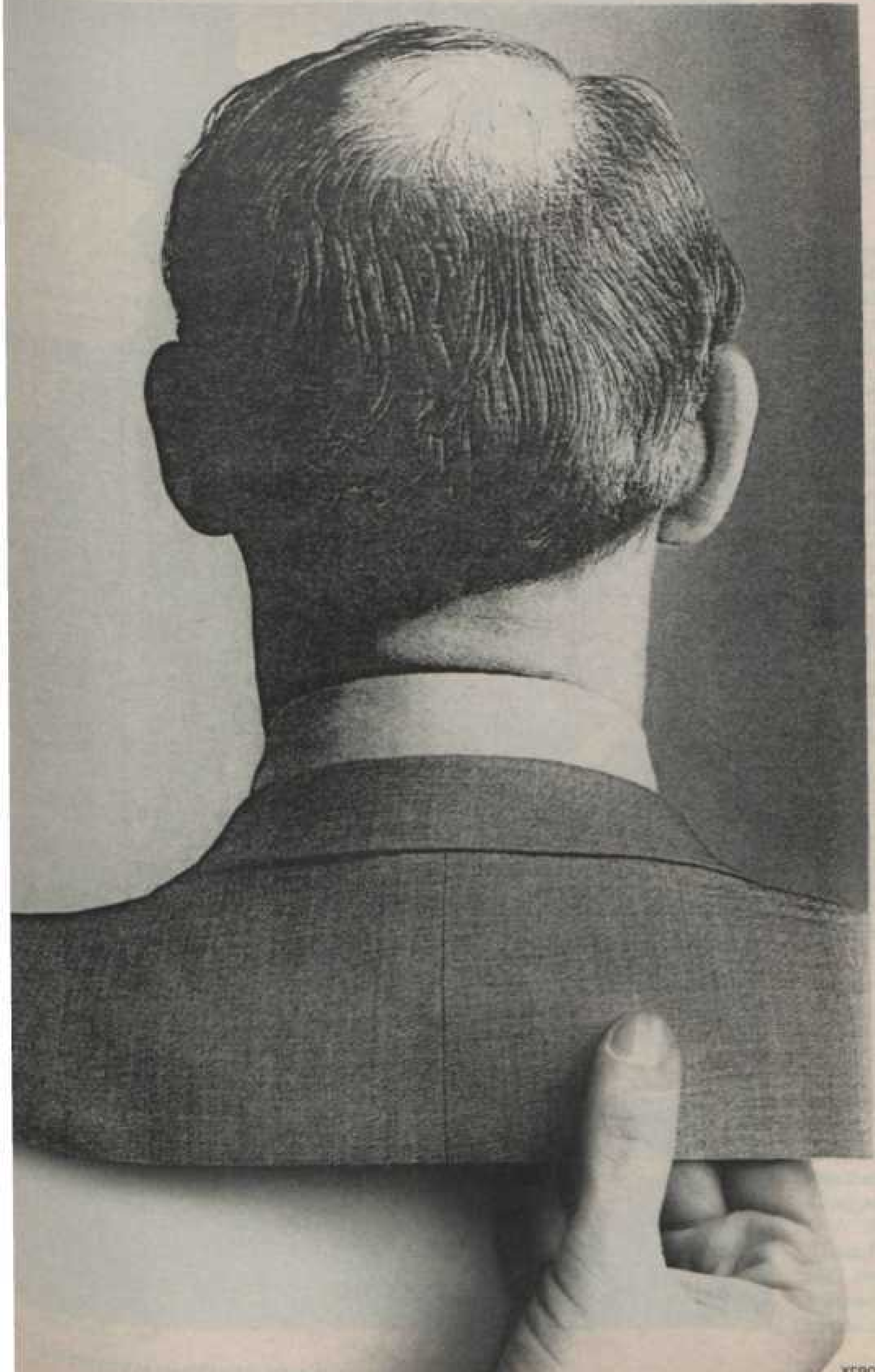

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We're Spending Our Way to Disaster

By Rep. George H. Mahon (D.-Texas)
Chairman, House Appropriations Committee

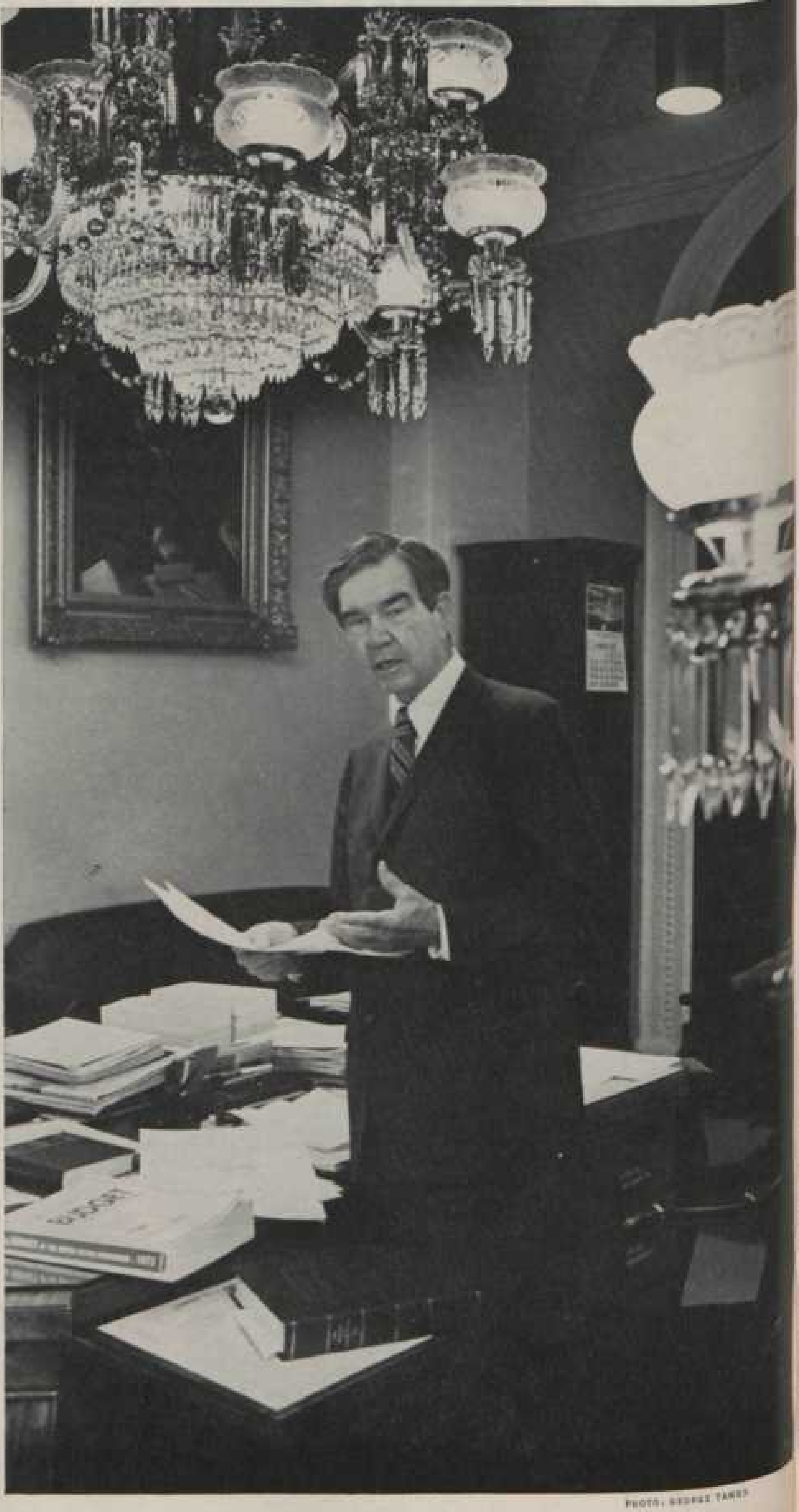

PHOTO: GEORGE TAMES

The United States government is headed toward the fiscal shoals.

No government, not even the richest on earth, can continue to overspend, or undertax, by multi-billions of dollars nearly every year and still not eventually plunge itself into financial disaster.

The budget submitted to Congress in January projects deficits of $38.8 billion in the current fiscal year and $25.5 billion in the 1973 fiscal year starting July 1.

But these figures understate the severe financial crunch in general federal funds.

If you eliminate the trust fund surpluses (from Social Security and other sources) that are counted in the so-called "unified" budget from which the figures are taken, the deficit for the current fiscal year will be an estimated $44.7 billion.

That is the true deficit.

By the same method, the 1973 deficit is now estimated at $36.2 billion. In other words, in these two consecutive years alone we stand to really go in the red by an additional $80.9 billion!

And we still face 14 months of uncertainties and relentless pressures before the books finally close on fiscal 1973.

Counting the new budget, in the last 43 years we have had deficits in 32 years, good times and bad times, no matter what budget concept is used. Eliminating the trust fund surpluses, we have had 37 deficits in 43 years.

Just in fiscal years 1970 through 1973, the national debt—a debt that casts a heavy shadow over coming generations—will have soared from

$367 billion to an incredible $490 billion, and maybe higher if the new budget projections don't hold.

In other words, about one fourth of that enormous debt is being piled up in this four-year period alone!

We are spending over $21 billion a year just to pay interest on the debt. That sum was sufficient to run the entire federal establishment only about 30 years ago.

The trend is toward larger and larger deficits. They are almost a national habit. We went into the red about $10 billion a year during the Sixties. Thus far in the Seventies, we are going in debt at nearly four times that rate. This is a dismal picture of a nation spending itself toward oblivion.

How long do the American people think they can afford that track record, or anything like it?

Sharing the blame

Who is to blame for this distressing record? The President? The Congress? The American people? I think nearly all of us are. Large segments of the population tend to demand more and more government services, and at the same time there is a demand for lower taxes.

Public attitudes shape the ultimate course of events—for better or worse. You can't spend what you haven't got without going in the hole.

There are times when that is unavoidable—but was it unavoidable in 37 of the last 43 years?

This is an election year and the usual pressures are magnified. The emphasis is on spending, not on finding ways to raise revenues to pay the bills. To yield to these forces is to water the seeds of our destruction.

I, along with others, have said many times over the years that we must restrain government spending if we are ever to secure and maintain fiscal stability. There simply are not enough dollars in the national till to pay for all the programs that a majority might agree are worthwhile when considered independently of the fiscal realities.

Everybody knows that a need can be demonstrated for more money—for education, for research to cure cancer, for essential flood control projects, for weather forecasting, for many other purposes. Our population and economy are growing, and our general living standard is rising.

We do need to take closer note of our really urgent needs and to evaluate our priorities more sharply. National survival is our No. 1 priority, as everybody knows. We therefore must spend whatever is necessary to defend ourselves and our way of life—or why bother about much else?

But most of all, I believe, we need to equate federal programs—not to mention state and local programs—with the willingness of the American people to pay the bill. We are not doing this, and as far as I can determine there is no assured plan to do so. The realization that he who dances must pay the fiddler seems to be disappearing from our philosophy.

The 1973 budget says that "deficit spending at this time, like temporary wage and price controls, is strong but necessary medicine." I contend that deficit spending is more like soothing syrup than strong medicine. A majority will generally favor spending more and paying less. We have taken this soothing syrup too long.

The point has been made many times: No democracy can avoid collapse if it ignores what is undeniably strong medicine—national discipline and restraint.

Pay as you go

We are to some considerable extent an undisciplined people, but we cannot continue to go on this way. The American system cannot survive indefinitely with high rates of inflation, an escalating national debt, and one of their root causes—whopping deficits which are simply the result of spending beyond revenues in hand or in sight.

I have a rather straightforward philosophy about federal spending. Except in time of war or deep emergency, why not restrict public spending to the revenues in hand or in sight? Pay for it or put it off until we are willing or able to do so.

Does anyone really believe that with deficits in the $20 billion to $40 billion range we can win the fight against inflation or stabilize the economy?

In this fiscal year alone, the government will have to borrow about $45 billion to pay its bills. That means, in part, borrowing from the highway, Social Security and other trust funds. But most of the borrowing will have to be from the private sector—about $38 to $40 billion. Borrowing these huge amounts will no doubt have a marked effect on the economy.

A principal current objective is to help stimulate the economy. The long-run effect can well be inflationary. More and more deficit spending is just not the long-run answer to our economic problems. All Presidents

tend to look at the economic future through rose-colored glasses. They understandably seek to be as optimistic as possible. Their original budgets reflect it. But we know from hard experience that uncertainties and contingencies tend to alter the picture; the realizations often do not match the projections.

The all too frequent end result: New—and often bigger—deficits are piled atop old ones. The \$38.8 billion unified budget deficit for fiscal year 1972 originally was estimated at \$11.6 billion.

Play-world budgeting

I am sure most Americans are confused when they read about a federal funds budget, a unified budget and, now, a full employment budget.

The federal funds budget deals solely with estimates of general Treasury revenues and expenditures, exclusive of those earmarked for Social Security, highway, unemployment and other trust funds.

The unified budget was introduced a few years ago. As I mentioned earlier, it reflects all receipts and outlays of the federal government, *including* those of the trust funds.

For fiscal year 1972 President Nixon presented the full employment budget as the declared foundation for the federal budget. This concept is not new to economists, but never before had it been the official yardstick for budget expenditure policy.

Full employment budgeting asks us to play like we had a full employment economy—actually, that unemployment is reduced to about 4 per cent. It asks us to play like the federal government had all the revenues that full employment would produce. Under the ground rules, we then relate what is actually proposed to be spent with these imaginary revenues and produce a play-world surplus.

All this is supposed to influence what actually happens and benefit us in the end—or at least shield us from fiscal harm. The theory is that a budget deficit is not bad, not inflationary, if spending doesn't exceed the play-like revenues.

It seems to me there are grounds for saying that this pretending does in fact influence what actually happens, but *not* to our benefit. We are lulled to some extent by our play-world surplus into complacency. Sugar-coated deficits, so it would suggest, are to be preferred over fiscal discipline as a "strong medicine," so we continue to spend more than we actually have.

Glossing over real-world figures that were drenched in red ink—I think it can be said—helped lower our guard in fiscal year 1972 to the point that we are now running an estimated \$8 billion deficit even in terms of the full employment budget. Alice could afford to live in Wonderland. We cannot.

What is to be done? How do we use budget and fiscal policy to attack the scourge of inflation and get our fiscal house in better order? To begin with, obviously, we must focus our attention on our real-world deficits. We are faced with a budget that is basically out of balance, and a primary reason for this is a shortfall in revenues.

Revenue and a fact of life

Take last session. The net result of all Congressional actions and inactions on estimated fiscal 1972 budget spending was about a standoff, yet the unified budget deficit skyrocketed \$27.2 billion over the original \$11.6 billion estimate.

Spending increased over the estimate by \$7.4 billion, but \$6 billion of that was in the so-called relatively uncontrollable programs more or less mandatory under present laws.

Revenues, on the other hand, dropped \$19.8 billion from projections. Economic sluggishness and overly optimistic revenue projections accounted for the major part of the fall-off, but tax reduction played a part. Congress cut taxes by about \$15 billion over a three-year period.

The main fact of life we must face is that the American people seem to want the public goods and the jobs that government produces. Merely approving the *new* legislative initiatives proposed in the 1973 budget would result in added costs of about \$33 billion by the fifth year.

Last year we voted \$1.5 billion for an accelerated war against cancer. The President proposes development of a space shuttle. It will cost billions, but provide badly needed jobs. This year, Congress is besieged by a proliferation of groups pressing for full funding of their particular programs in areas of health, education and so on.

Congress, in the last few sessions, has been engaged in the reordering of priorities that some still call for. We have added monies for education, health, the environment, while we have reduced in the areas of defense and foreign aid.

There is a limit to which the trade-off with defense can be carried. In my judgment we have about reached it. No longer can Congress safely make large reductions in the defense budget to finance increases in domestic programs. I agree wholeheartedly with the President that in the interest of peace and in our own defense we must accelerate our defense programs unless meaningful international agreements are reached which reduce the need.

The outlook is not good for actually restraining spending by anything like the large amounts necessary to offset our huge deficits. But that is only one side of the budget.

Five times in the last 16 years we have cut the federal income tax (we increased it in 1968 when the nation was facing a financial crisis in part related to the war in Viet Nam). The new budget message points out that individuals will be paying \$22 billion less in federal income taxes in 1973 as a result of changes in the tax structure since President Nixon took office.

We have reduced income to the point where the annual increase in revenues resulting from the growth of the economy will barely cover the built-in costs of our ongoing programs—let alone finance new initiatives, whether of the President or of Congress. And new initiatives come along all the time.

Let me end by saying—as I have said in the House of Representatives—that in my judgment we have about reached the fiscal crossroads.

Even the most unsophisticated student of the fiscal situation must agree that when the new Administration takes office next January, there will have to be a dramatic reduction in government spending or action will have to be taken to increase revenues. Otherwise, we shall be that much closer to certain fiscal disaster.

END

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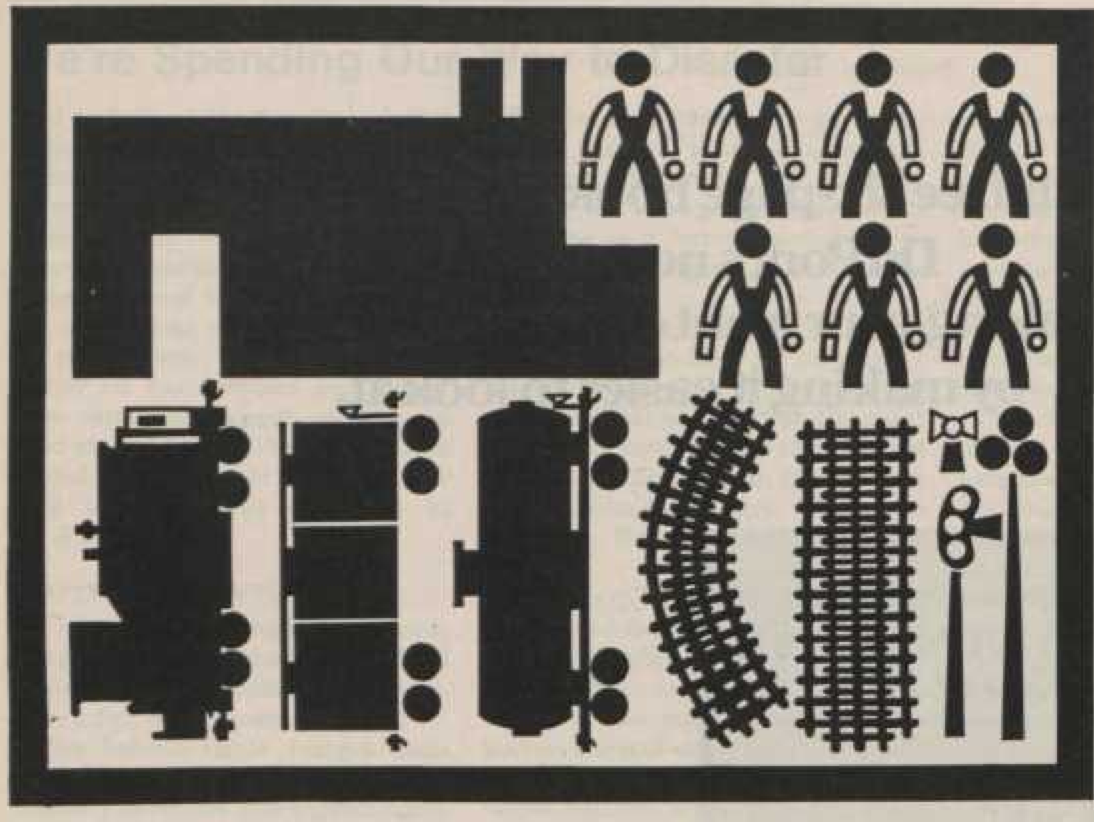

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The Illusion of Cut-Rate Defense

By Sen. John C. Stennis (D.-Miss.)

Hart

The U.S. can't buy survival at some international discount store, writes the chairman of the Senate Armed Services Committee, but at the same time it must get better value for its defense dollars

Even in a world of change, survival is the primary national interest. It is the vital prerequisite for life, for liberty, for the pursuit of happiness—and for their fruits which we want our people to enjoy. Critics of defense spending do not question this basic goal.

In a world of change, however, there are changing attitudes with respect to *how* national survival can be assured. It should come as no surprise that our defense budget—our annual blueprint for national survival—comes under annual attack.

The unhappy fact is that the bill for survival, like corporate and household bills, has been increasing very rapidly. Many well-intentioned Americans balk at the increase. They would like to buy cut-rate survival at some international discount store.

military missiles Navy sea warships military tanks soldiers training

It is a tremendously appealing idea—divert enough money from the survival budget to support our schools, rebuild our cities, reshape our welfare programs, and so on. The list of pressing needs is endless. Unfortunately, as I see it, the appeal, for the present at least, is largely illusory.

I think there is a strong consensus that survival requires strength sufficient to deter any adventures against us by a potential enemy. We can, perhaps, hope for some limitation on force levels through the SALT talks, the Viet Nam peace talks, and the hoped-for talks on mutually balanced force reductions in Europe.

However, arms expenditures will almost certainly remain high. If forces are limited, emphasis will have to be placed on their readiness and technological excellence, because the power of our forces, large or small, must be wholly credible to a potential enemy. Russia's pullback in the 1962 Cuban missile crisis was a reminder that our defense must always be strong enough to convince the other party—not just strong enough to defend our shores. If there is doubt, and the other fellow risks the battle, deterrence has failed.

In this situation, at least four factors are working in concert to swell defense costs. Two are familiar marketplace phenomena. The first, wage-price inflation, hits hard at defense activities as it does at all enterprises. The second, rapid technological advance, impinges especially on the makers of military hardware.

The other two factors, while they might be described as segments of the inflation question, come to our Senate Armed Services Committee as Defense Department administrative problems. I am talking about the weapons acquisition process and manpower management in the Pentagon.

The development and procurement of sophisticated weapon systems has long been a major concern for our Committee—and for a number of reasons. Part of the difficulty is "concurrency"—the all too prevalent practice of rushing weapons into production before they have been fully developed.

Oversophistication is a problem at almost every step in the weapons acquisition process.

Weapons concepts are intricate at the outset, and become more so as they are revised and new gadgets are added. Throughout the process, complex requirements evoke paper work which also is immensely complex.

Paper: a ton per contractor

Testimony before our Committee suggests that, as a result of all this, the Pentagon all too frequently has no hardware on hand to test and evaluate when a contract is awarded. It judges between one contractor and another on the basis of a ton of paper—literally as much as a ton—submitted by each contractor in the course of the acquisition process.

When the new weapon is finally delivered, its price has soared. An aircraft such as the new Air Force F-15, for example, is estimated to cost about $10.5 million each—more than eight times the cost of a fighter as recently as in the middle 1950s.

The implications of this cost escalation are staggering in the context of weapons now being developed or procured which, even at last year's prices, were estimated to cost more than $100 billion when finally delivered.

Our concern goes beyond the dollars involved. There has been a tendency in the Pentagon to scale down a given weapon program as its cost increases. That may be all to the good if no harm is done. If 50 planes are really needed, however, there is an obvious risk in buying only 35. In addition, overly complex weapons are expensive to maintain and all too often are unreliable. We owe our fighting men something better than weapons that may fail in combat because they are overdesigned to achieve theoretical sophistication.

I have made it clear, to the Senate and to the Pentagon, that our Committee will hold up weapons programs which involve excessive concurrency and are loaded down with nonessential complex features. Further, we want to see a broader use of prototypes as advertised by the Pentagon in adopting "fly before you buy."

Our Committee has made no secret of its concern about the weapons acquisition process. We held special public hearings on some of the problems late last year and heard witnesses from outside the Pentagon. We

The Illusion of Cut-Rate Defense *continued*

Russia, building an arsenal that includes guided missile destroyers like this one, puts far less of its defense dollars into manpower than we do, Sen. Stennis writes. This photo was made 300 miles north of Bermuda.

have also had a long-standing, but less publicized, interest in the rocketing costs of manpower for Pentagon programs.

Manpower costs have been taking an ever larger portion of the defense budget. In 1964 the percentage was 43.5. In the new budget now before Congress, the percentage jumps nearly to 57, and if certain related costs—housing, recruiting and the like—are included, the figure approaches two thirds.

By way of comparison, it is estimated that the Soviet Union devotes 25 to 30 per cent of its defense outlays to manpower costs.

If the percentages are alarming, the dollar figures are even more so. In the same prior year, 1964, our military manpower costs, narrowly defined, were about $22 billion. In the new budget they are about $43 billion—and that pays for 300,000 fewer men!

Of course, we in Congress are, in part, responsible for these rising manpower costs. Ten military pay increases have been effected since 1964 with Congressional sanction—reflecting the view that compensation for the military should be comparable with compensation in the civilian economy. Recent increases have also offered a recruiting incentive for the proposed all-volunteer armed force.

I share the view that military manpower should be fairly compensated, as against civilians comparably employed. While I have some misgivings about the all-volunteer force, I believe the concept must be fully and fairly tested. Generally, I have supported the military pay increases.

But it is precisely because Congress *has* been involved in these soaring costs, that I think our Committee must follow up on them very carefully. We must ask ourselves—and the Pentagon—some hard questions. Generally, we must find out whether this high-priced manpower is now being put to its best use.

For example, we must ask whether we should be putting more than 13 fighting divisions on the line with an Army scheduled to number 841,000 at the end of the fiscal year in June, 1973. That raises the old question of the large proportion of our military manpower assigned to general support duties.

The Pentagon plans to assign more than one million of its uniformed manpower—from a total of 2.4 million—to general support duties. At current cost levels the productivity of these assignments must be carefully assessed by the services—as any other employer would assess it.

20 years and out

Pay of retired military personnel is an especially difficult aspect of the overall manpower problem. More than 50,000 people join their ranks each year.

Costs have increased from $1.2 billion in 1964 to $4.6 billion for the new budget year, and are estimated at $16.4 billion in the year 2000. Already the unfunded liability for retired military pay—the current cost of setting up a retirement fund—is more than $129 billion, and the situation is becoming unmanageable.

I look upon retired pay as a part of what has been earned by individuals now in military service. In a technical sense it has been vested, and I certainly do not propose to disturb any such commitment of long standing.

At the same time, however, we should face up to the fact that these costs are becoming unsupportable. We must start looking for a way out of this dead-end street.

One question, which I have raised in the Senate, is whether we can continue to take young men into service, send them to schools and otherwise sharpen their skills and talents, and then put them on the retired rolls after 20 years, at age 40 to 45, when they should be at the most productive point of their careers.

None of these broad problems, with respect to procurement or to manpower, have simple answers. Perhaps they cannot be wholly solved in a one-year budget cycle, and our Committee will have to ride herd on them over the years.

Now before the Armed Services Committee is the annual military procurement bill. It requests about $22 billion for procurement and for research and development projects. The bill also authorizes personnel strengths—active and reserve—for the armed services. So it provides the legislative authorizations for most of President Nixon's $83.4 billion defense budget.

The bill raises other hard questions. Should we act now to buy another nuclear-powered aircraft carrier, without aircraft or escort ships, at an eventual cost of about $1 billion? Should we begin procurement now on a new generation of ballistic missile firing submarines at a cost, this year, of nearly $1 billion? These questions, and others like them, do require answers this year. Our Committee faces

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the questions against a bleak budgetary background. The overall budget deficit for the current year, once estimated at $11.6 billion, is now estimated at about $39 billion. The new budget estimates a further deficit of $25.5 billion. When the trust funds are excluded, however, the new deficit jumps to $36.2 billion.

Income tax hike?

I take no comfort whatsoever from the fact that only $76.5 billion of the $83.4 billion defense budget will actually be paid out in the new budget year. The balance is an additional debt which the taxpayer will have to pay in time.

Indeed, in this deficit situation, the taxpayer may have to face up to an income tax hike next year. Clearly it is our Committee's responsibility to give the Pentagon's spending blueprint the most careful scrutiny. That is what the Senate and the nation expect of us.

As I have indicated, the SALT talks or even the Viet Nam peace talks could make the Committee's job somewhat easier. As a matter of principle, however, I think we know what is wanted in national defense:

We should do only what we must do, and we must do that effectively at minimum cost.

The Defense Department is the nation's biggest business. Congress cannot, and should not try to, administer it on a day-to-day basis—to buy its weapons and manage its manpower. However, we *can* look carefully at Pentagon performance and demand changes when the taxpayer is poorly served.

That is what the Senate Armed Services Committee has been trying to do with its intensive focus on weapons procurement and manpower management.

Not many years ago, it was often argued that a rich nation could afford both guns and butter in whatever quantities seemed to be appropriate or desirable. If that was ever true, it is true no longer.

With defense costs zooming, we are now spending a smaller portion of our national budgets on defense. Under these constraints we must plan better, shop better and get more value for our dollars.

My own views on defense spending have not changed. I will strongly support whatever is essential for national security in the way of modern weapons and quality fighting forces. I will try to see that these essentials are provided—and no more. END

IRON MEN, WOODEN SHIPS—AND RUBBER COSTS

Within a few months after Congress authorized the six new Navy ships, it was obvious there was going to be a whopping cost overrun and they would be delivered far behind schedule.

The legislators, under heavy public pressure to brake the fast-rising federal budget, reacted angrily to the builder's explanation that increased costs and construction delays had been unavoidable.

There was talk of cutting the program back to three ships, or possibly two—or even scrapping the plans altogether.

A Congressional inquiry was launched to determine what should be done. It came up with a recommendation for going ahead with only three ships.

The debate was an angry one, covering inflation, the question of whether the ships would ever be needed and the national mood about military expenditures.

"There is no good ground for going into this enormous expense," one Representative asserted. Another suggested Congress should never have gotten into "this unfortunate business" of authorizing the ships. And another found it impossible to believe that people experienced in ship construction could have been so far off on estimates.

On the other side of the argument, a Congressman said the cost factor was secondary to the question of whether the ships were needed for national security.

If they were needed, they should be built, he told the House. Another pointed out that sharp price increases hadn't been limited to shipbuilding: The cost of home construction had doubled over the previous four years.

The appropriation for completing the three ships was finally approved. They cost 37 per cent more than had been authorized for the full program of six ships and were three years late in being ready for duty.

It all sounds like an account in today's newspapers about another Congressional battle over military spending.

But this particular incident occurred nearly 180 years ago, long before the terms "cost overrun" and "military-industrial complex" had become clichés.

On March 27, 1794, Congress authorized the construction of six frigates, the first ships ordered specifically for the U.S. Navy, at a total cost of $688,888.

They were to be delivered the following year.

But in a report to the House in December of 1794, the Secretary of War told of material shortages, noting that "the wood of which the frames were to be made was standing in the forests; the iron for the cannon lying in its natural bed and the flax and hemp perhaps in their seed."

The ultimate cost of the three ships actually built: $945,000.

They were finally launched in 1797 and, after fitting out, went to sea the following year.

The ships saw action against the Barbary pirates, in skirmishes with the French and in the War of 1812.

The complaints that surrounded their construction have long since died away but the frigates live in the history of the nation. They were the *United States*, the *Constellation* and what is now the oldest commissioned vessel of the U.S. Navy, the *Constitution*—"Old Ironsides." END

QUARTERLY OUTLOOK SURVEY

Unloved, Unwanted, but Needed

That sums up the prevailing sentiment among executives about wage and price controls

By a five to one margin, American executives responding to a NATION'S BUSINESS survey have called for a continuation of wage and price controls.

The survey showed far from universal pleasure among businessmen about the methods used by the federal government in managing the economy, but the consensus was that the controls are needed to fight inflation.

More than 450 chairmen, presidents, vice presidents, economists and department heads took part in the survey. Responses to the question "Do you think controls should be continued and, if so, for how long?" broke down this way:

Two hundred sixty-one said controls should be continued but did not set a time limit. Fifty said controls should last for another year and 37 said more than a year. Ten recommended varying continuations ranging from two to 10 months. Only 71 said controls should be ended.

The survey, however, was taken before four of five labor members walked off the Pay Board, and this capricious step could affect sentiment.

In answer to another of several questions in the survey—not every executive answered every question—

Have

Dr. L.K. Eilers, chairman and chief executive officer, Eastman Kodak Co., Rochester, N.Y., optimistically says, "The real gain in GNP will exceed anything the country has experienced during any of the past five years. This gain could be approximately 6 per cent." Dr. Eilers cites a "need" for controls.

Have

Joseph H. Bernegger, vice president-finance, Thomas J. Lipton, Inc., Englewood Cliffs, N.J., says his sales will go up 10 per cent in '72, and so will his profits. Mr. Bernegger feels that controls should be continued for a "limited period." He says they thus far appear to be having no effects on his labor force.

Have

E. Claiborne Robins, chairman of A.H. Robins Co., pharmaceutical house in Richmond, Va., says controls should end after this year. He sees a trend, "to a limited degree," of employees changing jobs because of wage increase limitations. The economy, he says, should improve "at least 10 per cent" in '72.

Have

George T. Scharffenberger, president, City Investing Co., New York City, says controls should continue to mid-1973 and the nation's economy will show "strong improvement" this year. He looks for 10 per cent more volume and 10 to 15 per cent better profits in his own business this year.

Have

Daniel P. Bryant, chief executive officer, The Bekins Co., Los Angeles, Calif., sees a 10 per cent improvement across the board—in corporate profits throughout the economy, in his own company profits and in volume of Bekins business. Controls should be ended in about one more year, he says.

W.E. Falberg, president, Inland-Ryerson Construction Products Co., Chicago, Ill., is deeply worried over adverse effects of controls on two of the seven divisions of his company. "In one case if we are not able to get relief, we may as well close the operation," he writes. He sees real growth of 6 or 7 per cent for the nation this year.

Carl A. Gerstacker, chairman, Dow Chemical Co., Midland, Mich., wants controls continued "until wage settlements drop to 4 per cent." Thus far controls have affected Dow "very little," he says. For the year, Mr. Gerstacker expects 10 per cent better business volume and 20 per cent better profits at his company.

N.A. Karr, chairman, Executone, Inc., Long Island City, N.Y., wants controls continued "until impact on inflation is evident." Thus far, controls have had "minimum effect" on his business. He says the nation's economy should "improve" this year, and his firm's volume will rise 15 per cent and its profits, 10 per cent.

Thomas J. Galligan Jr., president, Boston Edison Co., Boston, Mass., urges controls for the next two years. Meanwhile, he expects 7 per cent improvements in Boston Edison's revenues and profits. The nation's economy this year should be "good," he says, and in the long run the controls will be helpful.

David T. McLaughlin, president, The Toro Co., Minneapolis, Minn., says he feels "continuation of controls in the salaried area could provide employees with an incentive to relocate at higher rates of increase than what the controls will permit internally." He adds: "Controls should be continued at least a year, if properly applied."

285 said the controls have had little or no effect on their businesses. One hundred twelve said controls have been a minus factor for their firms, while 54 said they have been a plus.

A. Byron Reed, president and chief executive officer of Munsingwear, Inc., the Minneapolis, Minn., textile apparel manufacturer, expressed a widespread sentiment when he wrote that wage-price controls have created "extra work—confusion with only minor results—another bureaucratic bungle." But he added that controls should be continued because "they're the only hope—until laws can be passed to control big labor monopolies."

"Incredibly detrimental"

Charles J. O'Brien Jr., president of Matlack, Inc., a Lansdowne, Pa., common carrier trucking company, said, "Controls have had an incredibly detrimental effect on our business. Several major price increases, which would have only maintained our present pretax profit ratio, were reduced or cut back. This has already cost us several hundred thousand dollars in sales revenue since the start of our fiscal year last October."

Then Mr. O'Brien went on to say that "controls should be continued until such time as the economy establishes a strong, healthy footing. However, the controlling bodies must develop greater sensitivity to the interaction and relationship of their duties."

Paul W. Hylbert, president of Culligan USA, the water conditioning firm of Northbrook, Ill., said his firm will make less profit than anticipated due to controls but despite this, controls should be continued "until inflation is regulated."

Harold I. Lunde, manager of planning and general research for The May Department Stores Co. of St. Louis, Mo., complained that drain on executive time and cost of compliance with the controls are burdensome, and that "any other effects are uncertain." He said controls should be continued "only as long as absolutely necessary to contain inflation—not beyond 1972," and if "wage inflation remains a problem, other measures to

Unloved, Unwanted, but Needed *continued*

Andrew McNally III, president, Rand McNally & Co., Chicago, Ill., expects a 40 per cent surge in his profits and 5 per cent higher volume. As for the nation's economy, he looks for "slow, steady improvement." We need controls "as long as there is a danger of renewed increases in inflation," he says.

L.W. Menk, chairman, Burlington Northern, Inc., St. Paul, Minn., says the economy will "continually increase" this year and his company's volume will go up 6 to 8 per cent. Controls can be "anathema to a free economy and should be continued no longer than necessary to stem inflation," Mr. Menk says.

H.S. Mohler, president, Hershey Foods, Hershey, Pa., wants controls at least through this year. They have had little effect on his business thus far, he says. Mr. Mohler believes the economy should pick up, but at a rate less than expected by many businessmen. He looks for 10 per cent more business this year for his company.

W.R. Phelan, vice president, USF&G Companies, Baltimore, Md., wants controls continued if they can be "applied equitably, without favor to labor." He looks for "continued inflation via labor contracts, also reduction of profits leading to closings of marginal plants." He predicts a 10 per cent rise in USF&G volume.

control the monopoly power of labor unions should be applied."

Also worried over the situation was William J. Steinmetz, vice president-treasurer of American Can Co., Greenwich, Conn. Controls have brought "much confusion" to his company, he said, but have had "little" economic effect on it except for "a serious delay in being allowed to pass through steel price increases due to price control mechanics." Despite problems, Mr. Steinmetz said, controls should be continued, but not for more than one year.

Two executives with more comfortable feelings toward controls were R.F. Bovier, president of Jersey Central Power & Light Co., Morristown, N.J., and Raymond Plants, president and chief executive officer of Apache Corp., a diversified Minneapolis, Minn., firm.

Mr. Bovier said that overall, controls will help his company, and that they should be continued until inflation is controlled. Mr. Plants said the controls were having "satisfactory" effects on his business, and they should be continued "until the U.S. is competitive world-wide, and until the thrust of wage inflation unaccompanied by proportional increased productivity" is blunted.

Effect on employees

NATION'S BUSINESS also posed this question: "How are these controls affecting your labor force? Is there a trend for employees to change jobs to seek higher pay because of wage increase limitations?"

Four hundred thirty-three respondents said that no such trend has developed. Only nine said there has been increased employee movement—and seven said employee movement has decreased.

Here's a sampling of answers:

Hugh M. Comer, vice president of The Bibb Co., a nationwide textile firm based in Macon, Ga., said his employees "all expect and are getting 5½ per cent increases. This probably would not have happened had it not been for publicity regarding the 5½ per cent."

Charles E. Brookes, president of the Davison Chemical division of W.R. Grace & Co., Baltimore, Md., wrote that the "looseness of Pay Board decisions on organized labor while restricting salaried employees to 5½ per cent may generate a trend to unionization in nonexempt groups of personnel. This is a very serious problem."

Bidwell K. Gage, president of Bay West Paper Co., Green Bay, Wisc., said his labor force has "not yet" been affected. But he wrote that "price controls, as we see them, are a farce. Every raise we have experienced from suppliers is over the 2½ per cent allowed by the government." He added that controls should not be continued "unless they are rigid, with no exceptions."

Herbert E. Strawbridge, board chairman of The Higbee Co., operator of a major department store in Cleve-

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land, Ohio, said the controls have had no effect on his labor force. However, he added, they have caused confusion because Price Commission regulations are not clear.

Charles E.F. Millard, president and chief executive officer of the Coca-Cola Bottling Co. of New York, in New York City, said the controls were "unfair to unorganized labor." He added that his labor force is "not yet" showing a trend to change jobs to seek higher pay.

NATION'S BUSINESS asked three further questions, and here are summations of the replies:

"What do you believe will generally happen to the nation's economy in 1972?"

Answers were overwhelmingly optimistic, with 380 executives forecasting improvement. Twenty-seven predicted the economy would hold about steady, 22 spoke more about inflation than the course of the economy. Only five forecast a decrease.

"By what percentage do you expect sales or volume of your business to change during 1972 as compared with 1971?"

Optimism again prevailed, with only 20 seeing decreased sales or business volume. The great bulk of executives forecast improvement and mentioned gains in the neighborhood of 5 to 20 percent. For example, 109 said they look for 10 per cent better business. Only 31 said business would remain about the same.

"By what percentage do you expect your profits to change during 1972 as compared with 1971?"

Profits are on the way up and will continue, was the consensus. Only 57 predicted dropping profits. Among the optimists, 23 looked for a 5 per cent increase, 53 for 10 per cent, 28 for 15 per cent, and 37 for 20 per cent. Six forecast improvements of between 75 and 100 per cent. Seventy-eight said profits would hold steady.

Bankers' views

Bankers are in a particularly good position to judge the course of the economy. Here's what several had to say about it.

Curtis W. Kuehn, senior vice president of First National Bank, Sioux Falls, S. Dak.: "In an election year it would be foolish to predict anything except that the federal government will make every effort to create steady improvement in the nation's economy."

Alan Snodgrass, senior vice president of First National Bank, Ft. Worth, Texas: "More concentrated growth (real) than in 1971 with less price inflation, but a disappointing level of unemployment."

Robert S. Beaupre, president of Seattle-First National Bank, Seattle, Wash.: "To the degree that consumer confidence strengthens, the year ahead should show steady improvement in all our economic indicators."

W. W. Mitchell, chairman of First National Bank, Memphis, Tenn.: "I expect that the economy's real output will increase from 5.5 to 6 per cent in 1972 and that the rate of inflation will fall below 4 per cent."

Edwin S. Jones, chairman and chief executive officer of First National Bank, St. Louis, Mo.: "Slight improvement, but not as great as the original consensus forecast."

Cautious optimism

Most respondents foresaw improvement in the economy this year, but few felt the country is on an economic skyrocket. Here's a sampling from dozens of answers which reflect cautious optimism:

Werner C. Brown, president of Hercules, Inc., Wilmington, Del.: "We look for an acceleration of the uptrend in overall business activity. . . . The prospective speedup is not likely to reach boom proportions, however."

William F. Lucas, president of Brown-Forman Distillers Corp., Louisville, Ky.: "In my opinion, the nation's economy will be pushed, pulled and bumped in a generally upward direction between now and Nov. 7 [election day]."

D. J. Haughton, chairman of Lockheed Aircraft Corp., Burbank, Calif.: "In real terms there should be a continuing growth of between 5 to 6 per cent in the economy. . . . Inflation should level off at about 3 to 3¼ per cent."

Curt R. Strand, president of Hilton International, New York City, summed up his views of the economy in just three words: "It will improve."

Similarly, Joseph Lieb, vice president of Maryland Shipbuilding & Drydock Co., Baltimore, Md., and John C. Suerth, chairman of Gerber Products Co., Fremont, Mich., simply wrote the word "improve" on their questionnaires.

David Cunningham, president of Tokheim Corp., Ft. Wayne, Ind., said he looks "for some pickup but nothing startling."

Andrew T. F. Ing, financial vice president of Hawaiian Electric Co., Honolulu: "Definite improvement but not as much as generally hoped for."

M. L. Nash, president of Brown Co., Pasadena, Calif.: "Improve moderately."

Sanford Brooks, president of Tool Steel Gear and Pinion Co., Elmwood Place, Ohio.: "It has to improve." Mr. Brooks underscored "has."

W.J. Schlueter, president, Schlueter Manufacturing Co., St. Louis, Mo.: "Small actual increase of 4 per cent."

Less optimistic was W. T. Piper Jr., chairman, Piper Aircraft, Lock Haven, Pa.: "Stay about the same—perhaps a slight improvement."

And Henry W. Block, president, H and R Block, Inc., Kansas City, Mo., said: "I am not as bullish as most economists are."

"Steadily stronger"

Among the more optimistic was Robert P. Jensen, president, Howmet Corp., of Greenwich, Conn., who said he believes the economy "will get steadily stronger in 1972, but of greatest importance, the economic growth in 'real' terms will be about double that of 1971."

Others taking an optimistic line about the year:

W. B. Smiley, chairman and chief executive officer of R. H. Macy & Co., Inc., New York City, said he subscribes to the idea of a "GNP of $1,140 to $1,150 billion"—roughly $100 billion above 1971.

W. M. Dillon, president of Steel and Wire Co., Sterling, Ill.: "Will get better as year goes on, or at least until elections."

Robert S. Waligore, president of Morris Plan Co. of California, San Francisco: "I believe 1972 will be an excellent year by all standards." END

This Month's Guest Economist

Leyland R. Hazlewood
President
Dimpex Associates, Inc.

Investing in a Public Sector

The '70s are shaping up as the decade in which private industry "goes public" by working with and competing against government and semipublic institutions to improve the "quality of life."

There are vast opportunities for business in the burgeoning demand for a better quality of life, an amorphous term that loosely pertains to a mass of swiftly changing desires including those for better and more esthetic housing, cleaner air and water, efficient mass transit systems, improved education and increased recreational outlets.

In moving to meet the demand, U.S. business will be playing a traditional role—that of providing useful, needed goods and services at a profit.

Traditionally, quality of life investment has been essentially the domain of the public sector. But while government has been efficient at collecting revenues, it has stumbled time and again in effectively fulfilling its promises for services.

As a result, private corporations today are involved, for instance, in conservation and recreation projects, building "new towns," pollution abatement, and operating educational systems—all at a profit.

Two coincidental trends have led us to this juncture.

First, the structure, size and organization of government has become too cumbersome, rendering it incapable of providing some of these services efficiently in either the quantity or quality deemed desirable.

Second, the evolution of business has brought it to the point where it has begun to provide services previously considered the government's responsibility.

During the '70s, two countervailing factors will exercise an important influence on how the growing demand for quality of life services will be satisfied.

On the one hand will be the speed, entrepreneurial imagination and level of commitment demonstrated by private corporations. And on the other will be the willingness of the government to reorganize and improve its management functions. Recent corporate social involvement, which has continued despite the economic recession, and the establishment of the Office of Management and Budget are both portents of these trends.

There are other factors which work against a government monopoly in providing quality of life services.

The quantity and intensity of demand for health, education, safety and pollution control measures was never as great as it is now believed to be.

Also, government has never had to meet the test of profitability. Its general expenditures have been carried out under much broader accountability criteria. Now that the techniques of planning and accountability, such as benefit cost analyses, have been refined, we are learning to do a better job of measuring social expenditures.

The measurement task facing corporate executives is still a major one. A satisfactory system for assessing the costs of social investment simply hasn't been devised. Over the years, firms have become accustomed, for example, to writing off contributions to charities and community service programs without attempting to measure what the costs would be if alternative action were taken.

However, there are groups that are grappling with the problem of quantifying quality of life investments. The Bank of America is examining, for instance, what its president calls "the arithmetic of quality" in order to get a better understanding of its investment in social causes. Moreover, the promise of increasing precision exists.

This fact should enable and encourage more businesses to become involved in quality of life activities, because they now have tools of measurement which will allow them more readily to evaluate the potential profitability of such involvement.

If the intensity of concern for things like the quality of education and health care is such that the traditional delivery mechanisms are considered inadequate, then the U.S. is probably at the point where as a people we are willing to pay more directly to ensure these services. Having arrived at this point, a good many of these quality of life services cease to be exclusively those of the public sector and move into the market economy.

The opportunity to nurture and develop new market opportunity in quality of life areas may very well provide the fuel for economic expansion during the 1970s. By attempting to satisfy the vast and growing unmet needs of our nation in the marketplace, business could not only win profits but enhance its public image.

The lessons of contracting for defense needs should provide some guidance to companies entering the field. Business should explore the nature of new product, service and facility development; technological innovations; and management systems that are compatible with fulfilling quality of life needs.

In summary, the unmet needs for quality of life investment will require more than government investment alone. The magnitude of these needs should facilitate the spinning off of many of these services to the private sector.

Meeting these demands in the marketplace with the help of tax incentives, credits, subsidies and other forms of encouragement could contribute significantly to a period of sustained business profitability and economic growth.

New Services From the Postal Service

The U.S. Postal Service, a quasi-independent public utility since last July 1, has introduced new services aimed primarily at helping businessmen communicate quickly and efficiently.

All the new activities are "experimental" at present and Charles Shaffran, director of the Service's Office of Postal Products, says it's difficult to make projections of how much revenue they will produce.

Plagued with chronic deficits while part of the government, the reorganized postal operation estimates mail and service revenues of $8.4 billion this year in a budget of $10 billion.

"These kinds of services will contribute toward balancing our books," says Mr. Shaffran. They include:

• Facsimile mail service: In operation since October, the facsimile of a letter, chart, graph, blueprint or drawing is transmitted over telephone lines. The sender brings the document to the post office and minutes later an exact copy can be picked up in another city. Or, the Postal Service will put the copy in an envelope and deliver it within four hours of transmission.

The cost ranges from $5 for full delivery of a letter-sized item to $4.25 for pickup at the post office of destination. Legal-sized documents run from $6 for delivery to $5.25 for pickup.

Currently the facsimile service is being offered between New York and Washington, D.C., but plans call for expansion to Chicago, San Francisco and Los Angeles in May, and to other cities after that.

Mr. Shaffran is hopeful the cost of the facsimile can be reduced as transmission time is cut back. Transmission time for an 8½-inch by 11-inch page is six minutes, but it is estimated that advances in technology will reduce this to under a minute.

• Express mail service: The Postal Service offers this as a high-speed delivery network to most major cities in the U.S. In addition there is overseas delivery to major cities in Britain.

Four service options are available under a contract agreement: Door-to-door, door to delivery at a destination airport, delivery from the originating airport to the addressee, and airport-to-airport delivery.

The costs are up to $22 for a 40-pound pouch to $1.50 for delivery of half a pound or less (costs vary according to delivery zones and weight of mail).

On a noncontractual basis, the express service includes a downtown-to-downtown delivery that guarantees the addressee can pick up the mail the next business day by 10 a.m. The sender takes his letter or package to the express mail window in one of the participating cities before 5 p.m. It is dispatched by the fastest mode of transportation. If the mail is not ready for pickup the next day by 10 a.m., the sender can get a refund.

As with the express service under a contract, the cost varies with the weight and distance the mail is sent.

• Controlpak: To overcome the theft of credit cards in the mail, the Postal Service began this function in 1971 at rates substantially lower than registered mail.

Here's how it works: The issuer of the credit cards prepares them in the usual manner, placing each card in an envelope with first class postage. Those cards going to the same zip code area are placed in a plastic bag. The bag is sent under controlled conditions to a designated supervisor who opens it and transfers the individual envelopes to the carrier for delivery.

The fee for each 6½-inch by 13-inch bag (which holds up to 25 envelopes) is $2.25. A 10-inch by 13-inch bag (50 pieces) costs $3.75. In addition, there's an annual permit fee of $50. The bags are provided by the mailer and must meet Postal Service specifications. END

The Past Is Prologue

Thirty-five years ago in Nation's Business

(established 1912)

It was 1937—a year in which Franklin Roosevelt began his second term, and tried in vain to "pack" the Supreme Court by enlarging it . . . Joe Louis knocked out James J. Braddock to win the heavyweight title . . . John D. Rockefeller Sr. died at 97 . . . Amelia Earhart Putnam disappeared on a round-the-world flight and Howard Hughes successfully crossed the U.S. in seven and a half hours. . . .

The April issue of NATION'S BUSINESS, of course, concentrated on economic subjects.

In "The Labor Point of View," Chester M. Wright—described as an "intimate" of leaders of the AFL and the rival CIO—discussed the recent "epidemic" of sit-down strikes, commenting that "the General Motors strike is the outstanding example, followed by the drama in steel."

Most AFL leaders "agree that sit-downs constitute trespass," he wrote, but "some CIO leaders do not."

Would the sit-down become a fixture on the labor scene?

No, wrote Mr. Wright. "By and large . . . [it] occurs only in industries where labor, through its own unions, has had no dealings with the employers. . . . It seems destined to pass out of the picture as soon as unions and employers . . . begin relations."

An article headlined "Easy Money, Easy Boom, the Way to Easy Collapse," described the pumping of funds into the economy, which the writer said had resulted in interest rates too low to encourage saving—and in speculation. (By year's end, it turned out, stock prices were mighty low, too, and the Depression economy, which had perked up somewhat, was down again.)

"Relief Worries Government, Too," had a theme echoed today in discussions of welfarism. Noting that at least 7.5 million Americans were on relief rolls, it said government aid, begun as a temporary measure, promised not only to continue but to increase. "Initiative" had been "emaciated," the article said, reporting some jobs were going begging because reliefers didn't want them.

Other topics in that issue of NATION'S BUSINESS also sound familiar today. As now, there was a boom in bicycles—"a mass revival of interest" it was called—in which manufacturers' output was nearly four times the 1928–34 average.

And it was reported that "acres of new residences were being built in and near Washington," and "more new buildings were needed for the Departments, bureaus, commissions and independent offices to come."

A column called "Washington and Your Business" scoffed at a suggestion that Andrew Mellon's art collection be sent on tour so everyone in the U.S. could see it. Everyone could see it if it stayed in the capital, said the column, because "sooner or later everyone will have come to Washington to check in."

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LESSONS
OF
LEADERSHIP
PART LXXXIII

Donald Regan of Merrill Lynch

An interest in everything

If you had told Donald T. Regan when he was a Harvard senior that someday he would head the world's largest brokerage firm, he might well have asked just what you were drinking.

He was an English major who was considering becoming a lawyer, he had no family background in finance, and service as a regular Marine officer beckoned in those days when war clouds were darkening.

But when World War II ended, opportunity drew him to Wall Street and a career in which, as a longtime associate puts it, he "has always been out front."

At Merrill Lynch, Pierce, Fenner & Smith Inc. (it was Merrill Lynch, Pierce, Fenner & Beane until 1958), Don Regan kept moving forward after graduating from the second class produced by the firm's training school.

The firm's many vice presidents—260 at last count—resulted in its being called "The Thundering Herd" (the nickname is evocative of Merrill Lynch's "bullish on America" TV ad featuring a mass of bulls pounding toward the screen, but that's just coincidence, Mr. Regan says). Despite the extensive competition, Don Regan became president in 1969. And on Jan. 1, 1971, he moved to the front of the front, becoming chairman and chief executive officer.

His secret?

Qualities which he showed in his youth, as well as later on.

At Harvard, a home town school for him because he was born and bred in Cambridge, Mass., he was on scholarship and worked at a variety of jobs to make expenses. Finally, he organized a dozen fellow students into a guide service which showed tourists around the Boston area. He earned not only enough for his expenses, but to give him a $2,000 nest egg by graduation day.

In his years at Merrill Lynch, says the associate quoted earlier, he has shown himself to be "smart, forceful, daring and imaginative." His success, the associate adds, has been due to "a combination of a lot of factors. Sometimes you tend to see one particular characteristic as underlying a businessman's success. That's not so in Don's case."

Other factors: "He moves quickly. I suppose it's the quickness that stands out in my mind, if anything does. He's impatient with lack of decision. And he's totally diversified; he's interested in everything in the business. He's worked in many different areas, and each time he's studied the area in depth."

At 53, Mr. Regan is a devoted family man who recently became a grandfather. He and his wife have a daughter who is married to a Merrill Lynch employee in Washington, D.C., another daughter who started college last fall, a son with a computer software company, and another son who is a graduate student.

His work at Merrill Lynch, and other activities, sometimes make for a long day before he gets to his home in Long Island's Oyster Bay area.

Merrill Lynch, which has over 21,000 employees, over 1.7 million customers, and 255 domestic and foreign offices, went public last summer and now has many thousands of shareholders, too.

At New York Stock Exchange request, as one Wall Street firm after another vanished due to inadequate capital and the paper work deluge, it acquired the fifth largest brokerage house, Goodbody & Co., in 1970. The undertaking has been prodigious.

Merrill Lynch revenues, which faltered only once in recent years, are now at record levels. And, after a two-year slump and a revival the next year, so are profits. The firm—historically based on the small investor's business—has increasingly diversified in the financial field.

Mr. Regan discusses that diversi-

Donald Regan

continued

fication, and other aspects of his work and life, in this interview with a NATION'S BUSINESS editor, held in his Manhattan office.

How did you happen to get into the securities business?

I have to go back in history for that. I am a graduate of Harvard College—I was an English major, by the way—and attended Harvard Law School briefly. Then I went into the Marine Corps as an officer candidate.

I spent five and a half years in the Corps, emerging with the rank of major in 1946. I was a regular Marine officer, but I decided that was not the career I wanted to follow. At that point, I had a wife and—I guess you would put it—one and a half children.

That was no time to go back to Cambridge and start my studies toward a law degree all over again, so I went looking for companies that had programs under which I could be trained to do something. Of the training programs that I saw, Merrill Lynch's was the one that appealed to me most, so I started with the firm in March, '46.

I retired from the Marines as a lieutenant colonel in the Reserve.

Merrill Lynch, whose headquarters staff has been scattered in 22 New York buildings, is about to move into a 54-story structure of its own (it will occupy 40 floors). In this photo from a window at the Wall Street Club, the firm's steel-skinned new home is between the Wor Trade Center's huge twin towers and the Midland Bank Building. Mr. R (above) will have a striking view of the harbor from his 46th-floor office

Did you see much combat as a Marine?

It depends on your definition of much. I started in Iceland with the original Marine group that replaced the British there prior to Pearl Harbor. Having spent the winter in Iceland, we got the summer in Guadalcanal and I spent 33 months in the Pacific. I saw action in New Georgia, Bougainville, Guam and Okinawa.

Was anyone in your family in the securities field?

Absolutely not. My father was in the railroad business—with the late, lamented New Haven Railroad.

You have worked only at Merrill Lynch. Do you feel you have lost much by not having experience with other firms?

I think I have gained, because I have had a tremendously rounded experience with Merrill Lynch. I have been in most phases of our business.

I started as an account executive handling customers' accounts in the Washington, D.C., office, after graduation from the training school in 1946. Subsequently, I became assistant to the director of sales here in New York. Then I became head of our over-the-counter trading department, and then head of the administrative division, which at that time included personnel.

Later, I became vice president in charge of sales, and subsequently president and then chairman.

To what would you attribute your success?

That's a rather difficult one to answer about yourself. But I would have to say a combination of a lot of reading, thinking about Merrill Lynch's problems, having some ideas for solutions to some of those problems, and also having some new ideas as to the way Merrill Lynch could gain business.

You had a major part in setting up a planning office for Merrill Lynch a dozen years ago. How important has that been?

Extremely important. It has enabled us to keep on an even course during a turbulent decade on Wall Street.

Knowing which way we wanted to go has enabled us to diversify ahead of most of our competitors and to be in new areas when we had to be—long before things changed.

How important has diversification been?

It has really been the salvation of Merrill Lynch. Were we still doing business as we were 10 years ago, we would not be as profitable. We have diversified into government securities areas, real estate, mutual funds and all kinds of money market instruments, such as commercial paper. We have grown tremendously in our investment banking.

These areas are quite profitable to us, and therefore we are no longer dependent on the vagaries of vol-

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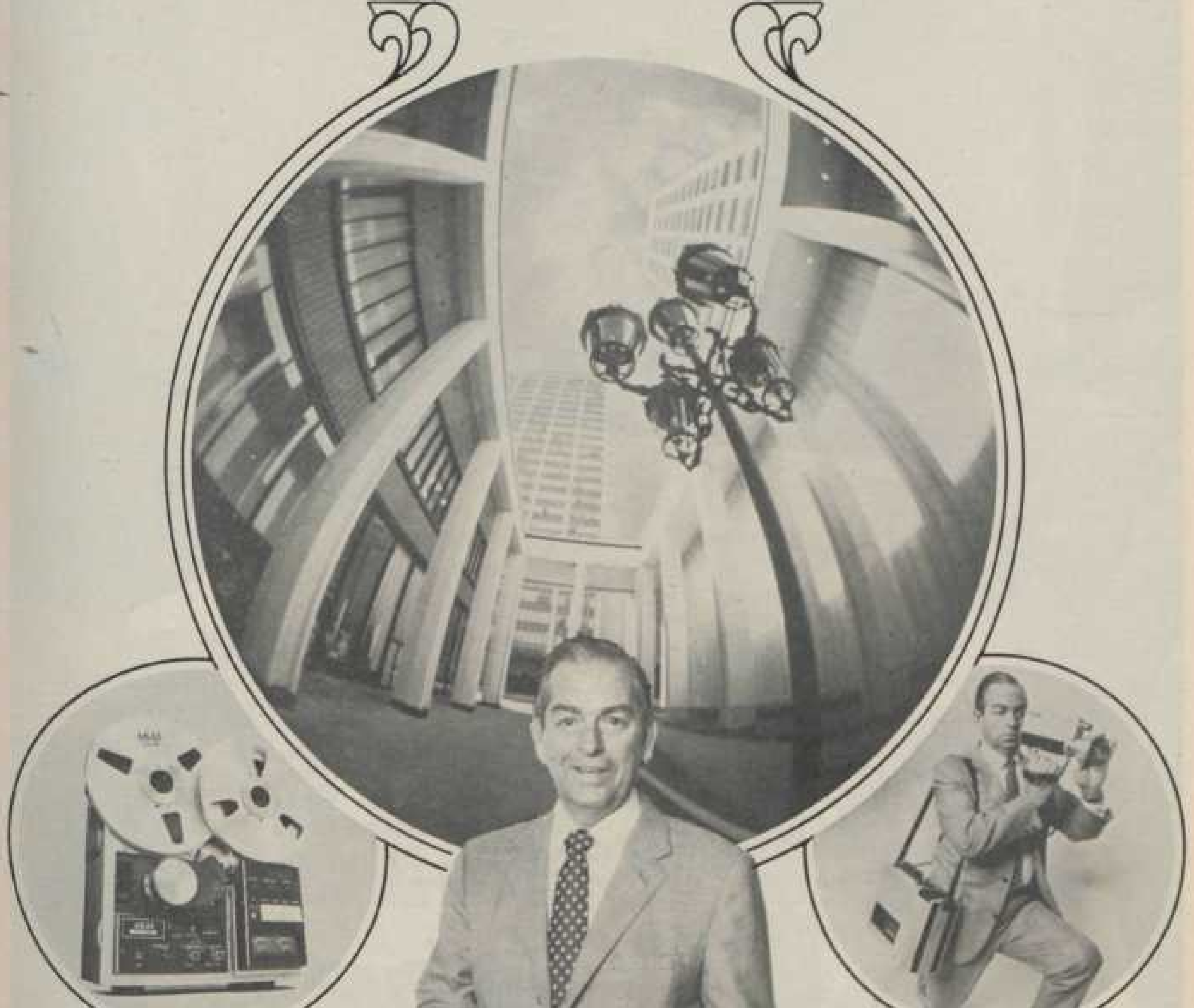

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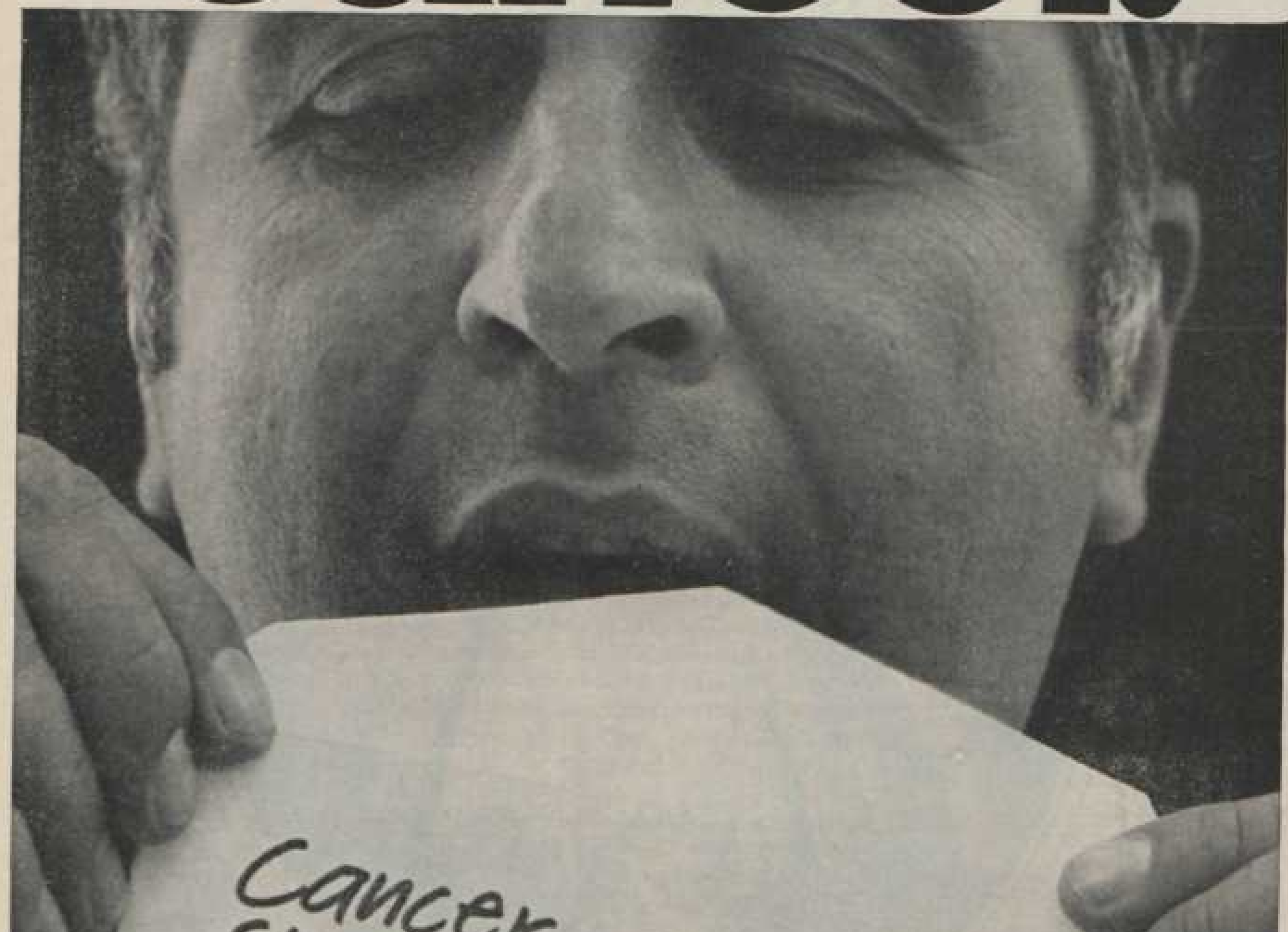

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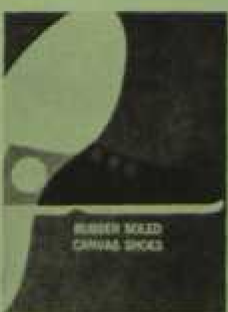

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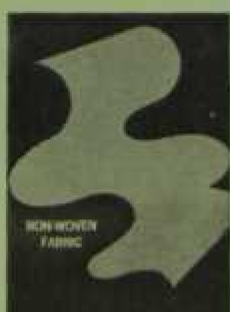

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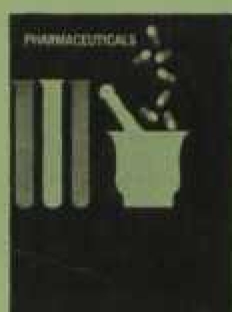

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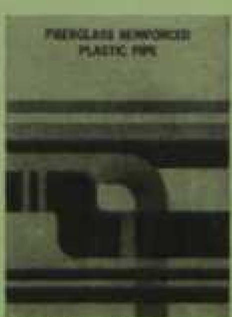

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LOUISIANA

The Right-To-Profit State

ume on the New York Stock Exchange.

Does the decline in the small investor proportion of your business play a part in your profitability?

Well, I argue tremendously with people who say the small investor is unprofitable. I think you have to measure the whole person. Let me give you an analogy. I call it my black pepper analogy.

Let's say your wife goes into the Safeway store and buys nothing but a can of black pepper. And some cost accountant decides to figure out what it cost to bring this pepper into the store, keep it on the shelf—it has to stay on the shelf for a long period of time—and bring this housewife into the shopping center to buy it, take her out through the checkout counter, and so forth. What's their gross profit on the black pepper? Two or three cents? So they have actually lost money on it.

But if they refuse to sell her one can of black pepper, what happens when she goes for the week's groceries? Will she trade there or at some other store?

This is what I say about the individual investor. If he buys just 10 shares of Telephone, for less than $500, chances are you'll lose money on the transaction. But look at all else he can do. Perhaps he makes three or four of those purchases over several years. Perhaps he has relatives who'll invest. Perhaps he comes into money. Perhaps he continues to invest through Merrill Lynch year after year as his salary increases.

You have been quoted as saying management techniques have been vital to Merrill Lynch. Aside from planning, could you tell us something about them?

We have a different form of management philosophy and grouping than most other service organizations do. We have no hard and fast chain of command wherein one has to report only to one's superior and the superior in turn reports to his superior. We tend to go across lines rather fluidly.

This is a result of our history of being a partnership for many years. We had 117 partners, and partners simply won't stick to a strict chain o command. We have now been incorporated for 13 years and have been a public corporation since last summer, but it is difficult to keep people in rigid lines in an organization with a background like ours.

After all, many senior officers of Merrill Lynch were partners in the firm—I became a partner, myself, in 1953. As a result, our middle management has a rapprochement with the top layer that is unusual.

We have deliberately fostered a fluid structure. It brings more people into the decision-making process. It allows us to test ideas, so that we avoid many errors.

Specifically, how does this fluidity work?

Let's take a division director—the director of the commodities division, for example. On the chart, he reports to the group vice president of customer sales, who in turn reports to the executive vice president of sales. The executive vice president of sales reports to the president, who in turn reports to me. Now, this puts three layers between me and the commodities division.

Yet I will receive a phone call, perhaps every day or every other day, from the director of the commodities division telling me what is happening in his division. If he has a major problem, he calls immediately and asks, "Do you know what is going on?" He does that so that I am alert to his problem.

The executives in the higher layers are not outraged that he would call me. They want him to, because if they fail to tell me about something, and I say, "Why didn't somebody tell me this?" they look at him and say, "Why didn't you call Regan?"

Our office managers do the same thing. They won't stay in channels.

This multiplies, then, the number of people who contact you directly; isn't it a tremendous drain on your time?

It is, but I have deliberately fostered this in order to have the whole picture of what is going on in my own organization, rather than just a blurry picture, when I am making decisions.

Doesn't Merrill Lynch also operate on an individual profit center concept?

Oh, yes. Take this same commodities manager. We hold him responsible for his part of our company business and it must be profitable for us. He must take steps to develop it. He must make certain of its advertising, its promotional budgets. He must take steps to see that he has enough people in the field to handle the business. Everyone else is on the same level.

Is there an element of competition between the profit centers?

Very much so, and we encourage it.

Mr. Regan, how likely is a recurrence of the paper work crisis in the securities industry?

If we were to get extremely heavy average daily volume for 90 to 120 days you would find lags by the end of that period. If that volume were to continue for six to eight months, then you might see the buildup of a crunch.

However, if we have around 15 million shares in average daily volume, with every now and then a peak going over 20 million, we can handle it.

This compares with 1967 and '68, when we couldn't handle average daily volume of 10 to 12 million shares, with peaks hitting 18 and 19. So Wall Street has come a long way in handling its volume, through things such as the Central Certificate Service—where we are trying to immobilize the stock certificates—and a better computer program. Wall Street had a very sophisticated computer program a few years ago, but unfortunately there were too many bugs in it, and the system broke down.

Another thing, capital in Wall Street is much stronger than it was three or four years ago. Witness the firms that have gone public and raised new capital. The reason I bring capital into the paper work crunch is this: If you are in trouble and have to spend your way out, you must have capital to do it.

How likely is it that we will again see firms going under or being forced to merge as they did in the crisis period?

I think you will see a lot of mergers, but not from the point of view of the paper work crunch putting the firm

in financial difficulties. Mergers are going to be forced on companies as the need to get larger to compete with other larger firms on Wall Street becomes more apparent.

There has been a lot of talk about the public becoming disillusioned with stocks. For example, the New York Exchange last year reported there had been more selling than buying by small investors for many months. Does Merrill Lynch's experience reflect such a disillusionment?

There is a difference between disillusionment and selling. I might think the time has come for me to take a profit. I am not disillusioned with the market, I intend to go back into it at a subsequent time, but evidence has indicated this is the time to sell.

Now, we are getting closer to disillusionment when a person sells to take a loss, though his selling doesn't necessarily represent disillusionment. Some people sell to offset losses against gains for tax purposes, for example. After all, this is a legitimate way to save tax dollars.

Finally, there is the person who is disillusioned. It is characteristic of the bottom of the market that disillusioned sellers come in. When all that is through, that is when the market rallies.

More than a year ago, you said new accounts were being opened at Merrill Lynch, which already had 1.5 million of them, at the rate of 400,000 a year. Is that still true?

Exactly. In 1971 we were ahead of 1970 in opening new accounts.

You have also said that in May, 1970, when stock prices were at their lowest point in the last nine years, Merrill Lynch found that people in middle America—in places like Little Rock and Albuquerque—were moving into the market while volume in seaboard cities was falling off. Has that been true more recently?

As the market rallied, the seaboard cities came in. Later, selling was more pronounced, again, on the seaboard than in the center of America.

Implying that in middle America there is more buying for the long term?

Exactly. Which, by the way, is a great method of investment. Buying and holding is the right way to make money.

A major argument for investing in stocks has been that it is a hedge against inflation. In view of the seesawing of prices since the mid-'60s, is that still a good argument?

It isn't a good argument. Stock prices fluctuate too much to be a hedge. In an inflation period, many commodities will rise in price and real estate will tend to move upward, as will prices of good stocks. But there is no surefire hedge against inflation. In fact, inflation is bad for the stock market because it squeezes corporate profits, and when they're squeezed, you can't get good stock prices.

Merrill Lynch, after long resisting selling mutual funds, not only began selling them but became an underwriter for issues of funds. Why?

For years Merrill Lynch felt that were it to go into mutual funds, this might impede its approach in building up various segments of its business. At the same time it was not convinced mutual funds would provide the great market that they have.

In 1968, we reviewed this policy and decided we were similar to a general leading a parade when the parade has gone down one street and he is on another. We had to quickly get back to the head of the parade. So we reversed ourselves, and now we are the largest single seller of mutual funds in the United States.

You want to see Merrill Lynch become a complete financial services firm, don't you?

Yes, and we are moving in this direction as far as we can, legally.

My feeling is that if you look at the way other service industries have changed, you must realize the financial industry has to change also. We have witnessed a great revolution, for example, in the distribution of food—from the old corner grocery store through the major supermarket to the shopping center, and now, a rebirth of a host of smaller shops.

Why should the financial business continue to do things the way we did them in the '20s or '30s or '40s?

The lines are blurring between financial institutions. A person can have many financial needs—for savings, for banking, for real estate, for the purchase of bonds, stocks and mutual funds. Why should he have to go to many institutions in order to find experts who can satisfy his needs?

What would be the impact on the market if institutional investors—banks, insurance companies, pension funds, and so forth—were allowed to become stock exchange members?

Not very much, in my opinion. We are for institutional membership if the institution can show that more than half its business comes from dealing with the public, rather than with associated companies. I don't think a subsidiary of an institution should be allowed to have an exchange membership mainly to save commissions.

Stock exchange membership for pension funds or banks would cut into brokers' opportunities for commissions, wouldn't it?

Oh, yes. But speaking only for Merrill Lynch, we are not afraid of the competition, provided we are allowed to go into their business. You mentioned a bank being a member of the exchange; well, we are not allowed to go into the banking business. Again, I think we should abide by the same rules.

You told a Senate subcommittee last September that the securities industry must have some kind of an integrated auction market. Could you elaborate?

I don't think our industry should ever get to the point where it is only a dealer market or institutional market. The individual who buys and sells his own securities can do just as well as many institutions are doing, provided he takes time to seek out and listen to good advice.

These individuals need an auction market, not a negotiated market where a seller of a large block tries to find a large buyer and they negotiate between them the price of that secur-

A kid with leukemia can die from a cold.

Leukemia is a disease of the blood-forming tissues. It keeps the body from producing the necessary amounts of normal white blood cells to fight infection.

An infection that means a day in bed for a normal child is a threat to the life of a child with leukemia.

Today research has made enormous progress. At one time, leukemia victims lived only a few months. Now, in some cases, we can prolong their lives a few years. That's good. But not good enough.

Even though we're closer to a cure, leukemia is still the major cause of disease and death in kids between the ages of 3 and 14.

We want to save the life of every leukemia victim.

We can't do it without a healthy contribution from you.

We want to wipe out cancer in your lifetime. Give to the American Cancer Society.

This space contributed by the publisher as a public service.

Mr. Regan discusses the Wall Street of recent years, and of the future, in his book, "A View From the Street," to be published soon by the New American Library. Much of it, naturally, centers on activity on the New York Stock Exchange, whose classical facade is behind the Merrill Lynch chairman and Vice President Walter P. Guzzardi Jr. above.

Donald Regan *continued*

ity. Open outcry about 100 shares changing hands represents the type of market I want to see. Now, I don't care where this is—physically it could be in New York, in Chicago, in Los Angeles, in a computer center 50 miles outside a metropolitan area—as long as any individual coming in to buy, or any seller, can see all the current bids and offers.

As for integration, the exchanges have to gradually merge, starting in New York. At some point the over-the-counter market will have to be brought into this concept.

You favor an end to the New York Exchange's fixing of commission charges. Why?

Wall Street preaches capitalism all day long, year in and year out. I think that since one of the major rules of capitalism is free competition, Wall Street should try competition itself. There are many who say that without the fixed commission, some Street firms might atrophy. I say, is there something wrong with that? This has happened in the textile, automotive and computer industries. Why should Wall Street be so different?

Would the commission on every trade be negotiated by the broker and his customer?

Absolutely not. Any more than the average housewife negotiates the price of a bottle of catsup. Prices would be set by each firm and the person would be free to accept or reject them.

Rates have already been freed from regulation on trades above $500,000, and the SEC has suggested dropping that figure to $300,000. How has this partial freedom been working out?

It depends on whose side you take. The institution that is getting a reduced rate now—about 50 per cent of the former rate—feels negotiated rates are a great thing. The brokers who are losing 50 per cent don't think they are too good.

At Merrill Lynch, we're happy enough with the change. Although we get fewer dollars per trade, we are doing many more trades now than we used to. So the net effect is more dollars in our pocket.

You have said in a speech: "The strings tying us to the stock certificate are gradually being cut." Should they be?

The certificate should be replaced. By some type of evidence that you are a stockholder. Period.

You don't actually see the dollars you have in your bank. Once a month they tell you what your balance is. What is the difference between that and a stock?

If you are an owner of 100 shares of a company, a slip of paper telling you that you own those shares is all you need.

If you want to sell the stock, all you have to do is have it sold through

Lessons of Leadership: Donald Regan *continued*

the broker. The stock is in a central depository.

What is the defect in having certificates?

The paper crunch. The certificate is a valuable thing for such a small piece of paper. It is very expensive to handle, because it is a negotiable instrument. It can become lost, mislaid, any number of things.

A few personal questions. How do you like living in a New York suburb and working in New York?

I might prefer life in many other cities—I lived for years in Philadelphia and for years in Washington. But there is no escape if you are going to be in our business.

How about hobbies?

Well, I've written a book about events of recent years on Wall Street—that has to indicate one of my hobbies. And I am a golfer—not a very good one but I play as much golf as I can. I also enjoy boating—I have a motorboat. Then I do have quite a few avocations. I am a trustee of the University of Pennsylvania and a director of the Beekman Downtown Hospital. I am a member of the federal Securities Investor Protection Corp. And I am a trustee of the Charles E. Merrill Trust, which annually gives away several millions of dollars. So I am kept very busy.

Are you able to find enough time for vacations?

I squeeze in vacations when I can. In recent years that's usually been in the summertime because of my family growing up; we have been a close family. But now that all the children are grown, I think we'll be taking winter vacations.

We have gone from place to place and now are settling on John's Island, a new golf and resort community north of Vero Beach at Indian River in Florida.

When you are on vacation, do you cut yourself off completely from the investment world or do you always keep an eye on it?

I would say more of an ear. I get telephone calls from associates whenever there is a matter of importance that they think warrants my attention, so I never am completely cut off.

I have to tell you that I started this book during my vacation of '70 and had the manuscript just about ready until events overtook me in the fall of '70, with the failures on Wall Street and so on. So I had to revise. Then, this past summer, I had to smooth it out and get it ready for the publisher.

Mr. Regan, what kind of young man would you like to see go into your field today?

I just read quite a description of what it takes to be a successful broker. He's conscientious, responsible and extremely competent; he shows social interest; he is flexible in his thinking and of high intelligence; he has leadership ability.

Now, what the heck does that mean? It means we need outstanding men who are attracted to finance not only because of what finance can do for them, but because of what it can do for others. These men are going to become advisers to people about their money, and this is probably the closest relationship except for the husband and wife or medical relationships.

So, we have to have people who are highly motivated as well as intelligent. We certainly need lots of such people.

I would like to get in a plug for that. Ours is a growth industry. Merrill Lynch now is training 900 per year in our training school and we screened 10,000 to come up with that 900.

Merrill Lynch is the biggest brokerage in stock exchange trade volume, but it isn't in some areas of your business such as those involving institutions. Do you see it becoming No. 1 in every area?

Yes, I see that. Why not? END

REPRINTS *of "Lessons of Leadership: Part LXXXIII—Donald Regan of Merrill Lynch" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*


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"The Greatest Transportation Show on Earth"

BY JOHN A. VOLPE
Secretary of Transportation

Here (see right)

Here are your aviation Amount

TRANSPO 72, spotlighting America's $200-billion-a-year transportation industry, is expected to attract more than 1.5 million visitors in its nine-day run at Washington's Dulles International Airport, and to have more than 350 exhibitors. Secretary Volpe (left) believes American business will get a major boost from this showcase of its transport wares. The drawing is an artist's conception of what the big show will look like in operation.

On May 27, less than two months from now, we will inaugurate a new American attraction—the first "world travel fair." The event is TRANSPO 72, the U.S. International Transportation Exposition, to be held at Dulles International Airport, near Washington, D.C.

TRANSPO will be a spectacular with a built-in commercial. Its first purpose is to stimulate business for American industry. But a visit to TRANSPO will also be a pleasure trip. Three hundred and fifty exhibitors along with ground and aerial demonstration teams are joining forces to entertain and inform the public during TRANSPO's nine show days.

Transportation is a $200-billion-a-year business in the United States. Nearly 20 per cent of our federal tax revenues come from transportation sources. Ten million American workers are employed in transportation-related industries. We export $6 billion to $7 billion worth of transportation products a year.

Yet the means of mobility we all depend on are far from perfect. After years of piecemeal progress and patchwork projects, transportation is due for a massive and systematic overhaul. A successful transformation is vital if we are to realize other national objectives: a safer, cleaner, quieter, economically stronger America.

Not the least of the challenges facing us is the necessity to double America's transportation capacity, probably before 1990. That means facilities that do twice the work they do today—moving people and goods from border to border and city to city, and within the community. Nor is this an American problem alone. The necessity and utility of transportation comprise a common denominator in the lives and desires of people worldwide.

Other nations are attuned to the growing importance of transportation. The global market is a large one, and increasingly competitive. The nation with the best answers to peoples' transportation needs stands to benefit financially from increased employment and sales, and to gain socially by putting mobility within the reach of more people.

TRANSPO 72 is the showcase for our wares—a tangible display of government and industry commitment to set new standards of transportation excellence.

For years, industries—even nations—have sponsored trade affairs of various types. At times the motivation is national pride, or to chronicle progress. On other occasions, the purpose is to sell products or expertise or technical craftsmanship on the global market. Other fairs entertain and edify.

A busier path to our door

All these motives coincide in TRANSPO 72. The exposition will be a focal point for all the current and contemplated developments in transportation. Exhibits will not only preview coming transportation attractions for Americans, but hopefully will cause the world to beat a busier path to our door for the better transportation products that are needed.

We decided some time ago to sponsor a major transportation exhibition for just those reasons. TRANSPO combines at one time and in one place a comprehensive display of the latest fashions in mobility, in all models. It promises to be a unique event, which will attract up to one and a half million visitors.

The idea for TRANSPO dates to the mid-1960s, but the major impetus was supplied by the Nixon Administration's concern over the nation's balance of payments problem, a challenge aggravated today by a surge of transportation expertise abroad.

An international transportation exposition, to be held not later than 1972, was authorized by the 91st Congress. Approximately $3 million has been appropriated to finance its development, and the additional funds needed to cover the full costs (estimated at $6.3 million) will come from TRANSPO revenues, which we estimate will be $3.8 million. Much of the site preparation and construction work represents a permanent investment, since the project has been designed to fit the long-range master plan for Dulles International Airport.

TRANSPO will be a full-fledged fair in every sense. The exposition grounds cover some 300 acres. Parking is being provided for 50,000 cars, with special parking for 600 buses. Traffic control is getting expert attention, to assure easy access and exit for the up to 200,000 visitors expected on peak days.

Virtually every facet of America's transportation business will be represented at TRANSPO, along with a number of foreign exhibitors. Ford and General Motors are erecting their own pavilions. Four large, general-purpose pavilions, with a total of

Transportation Show *continued*

some 320,000 square feet of indoor exhibit space, will be shared by a host of companies showing everything from the lunar rover to an automatic train control system.

Outdoor exhibits will include more than 200 aircraft, among them the Lockheed L-1011 and McDonnell Douglas DC-10 trijets, the Boeing 747 and 747F and the Lockheed C-5. We have invited the British and French, and the Russians, to display their supersonic transports.

In all our planning, we have tried to make TRANSPO 72 a grand tour of everything that's new in transportation. The public will be attracted, because people are the ultimate users and beneficiaries of better transportation systems.

Magnet for suppliers

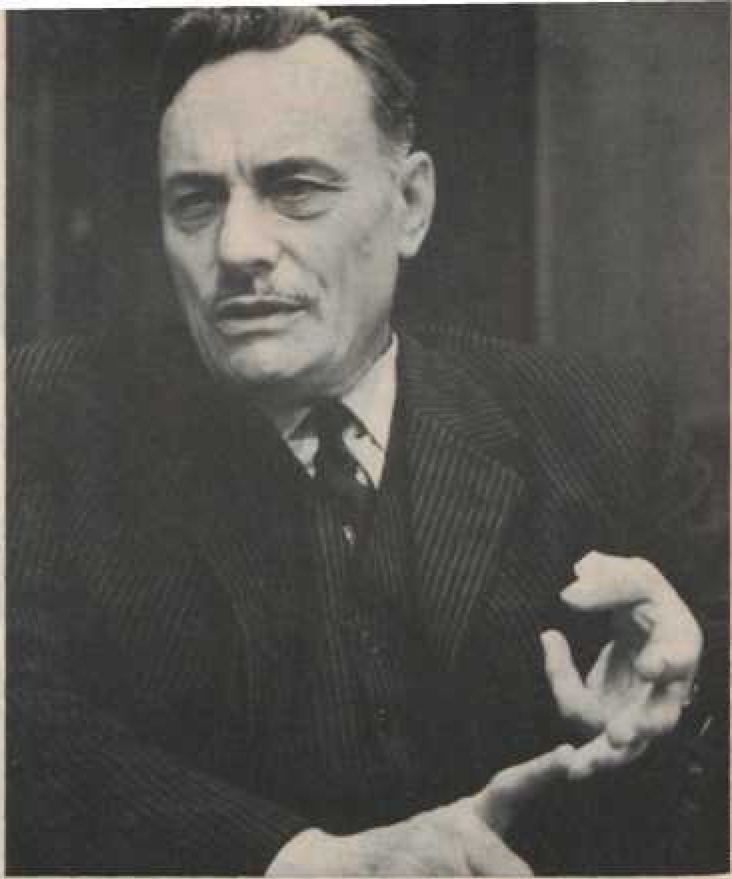
But we believe TRANSPO 72 will be of more immediate interest to those—governments and businesses—responsible for putting transportation systems to work in society. Cargo carriers, in particular, will find a wide assortment of innovative handling and shipping systems, from automatic warehousing equipment to containerization.

The concept of TRANSPO has its roots in such famed exhibitions as the biennial Paris and Farnborough air shows. But in extending the marketing concept to embrace all modes of transportation, we believe we have gone an important step further. Our goal in America is a balanced transportation system, with reliance on all modes but without undue dependence on any one. We are also committed to increasing our transportation capacity without damaging our environment or our social fabric.

We believe American industry can deliver what it takes to meet that challenge. We also believe we can sell more of our transportation hardware abroad. TRANSPO is the catalyst to bring U.S. sellers and international buyers together. It can also be the showplace for what transportation can be in America.

But TRANSPO 72 just happens to be shaping up as something more—an exciting exhibition for the American family, the "greatest transportation show on earth." END

Nationalized Medicine: "A Fashionable Folly"



J. Enoch Powell, the outspoken British politician, is a former Minister of Health, so his is a voice of experience on socialized medical care; here is what he has to say about it

LONDON—At a time when Congress is considering vast national health plans, the views of a man who has directed a government medical system are significant for their insight.

The Right Hon. J. Enoch Powell, a member of the British Parliament and former Minister of Health, is such a man. Though he warns that the United States and Great Britain are too different for exact comparisons, he offers from his own experience some decided opinions about nationalized health plans.

For one, he says that a quarter century of socialized medicine has not given the British people more health services, more hospitals, or faster or necessarily better medical attention, and that no one should be looking for panaceas in nationalization.

"I happen to believe that the total resources devoted to medical care in Britain would be larger but for the National Health Service," he says. "I believe people would opt for more medical care than the state decides to allocate."

Mr. Powell, a linguist and author, a former university professor, and an outspoken member of his country's Conservative Party, is controversial. He is anathema to liberals and socialists, both in his own country and here. Indeed, he is not universally loved in his own party, least of all by Prime Minister Edward Heath, with whom he has often disagreed.

In part, this is because he opposes many of his party's policies and because he enjoys talking about controversial problems.

In conversations with NATION'S BUSINESS, Mr. Powell talked about his experiences as Minister of Health, and his views on medical care and other subjects.

Freeze on hospitals

He believes strongly that for the first 15 years of socialized medicine in Britain—between 1946 and 1961—nationalization prevented any hospitals from being constructed.

"If there had been no National Health Service," he says, "many hospitals would have been built. Huge sums were in the possession of big charitable trusts after the war, ready to be used to build modern hospitals. And the hospitals which were taken over [in the national health scheme] had large reserves and resources. Large reservoirs of charitable intent were ready to be tapped. Municipalities which had taken pride in erecting their own hospitals would still have taken pride in erecting them in the 1940s and 1950s.

"But since there was nationalization it was left to the state, and the state said, 'No. No. No. No capital for that.' "

To this day Britain has not caught up with the rate of hospital building of the 1930s.

Furthermore, Mr. Powell declares, "It is certain that British hospitals today are far more obsolete than they would have been but for the National Health Service."

Also, Mr. Powell says, there has been change—for the worse—in doctor-patient relationships. "The British general practitioner always readily gave his care and attention to the poor patient," he explains. "This is probably less readily given, now.

"If you nationalize medical care, you eliminate the commercial nexus, and therefore also the charitable nexus, and therefore the *noblesse oblige* between doctor and public

Britain's governmental medical system has stunted its growth in number of hospitals, according to Mr. Powell. None were built for years. London's St. Charles Hospital (above), ancient of days, is still going strong. It began life as a workhouse—an institution for paupers.

Harv
See Hospitals

The doctor has—not quite—become a salaried servant."

In Britain, the term "English pay" means remuneration in terms of respect. Mr. Powell believes there is less of this for physicians now than there was prior to nationalized medicine.

The demand is "infinite"

Waiting lists of patients for many types of medical attention have not been shortened because of free medical care, he notes, thus refuting claims by advocates of further nationalization of American medicine.

"You can't take care of everyone. The demand for medical care is infinite," Mr. Powell explains.

Recalling the three-year stint he put in as Minister of Health in the government of Prime Minister Harold Macmillan during the early '60s, he says:

"When I came into office I saw a long waiting list for what we call cold surgery—nonurgent surgery. The list was not growing, so I said the waiting can't be due to a deficiency of resources. It must be a backlog. If it had been due to a deficiency of resources the backlog would be growing.

"So, if you get rid of the backlog, I thought, services would be up-to-date. I said, 'All right, we will clear the backlog up.' Well, we couldn't do that. When I ceased to be Minister of Health the waiting lists were almost to within the same digits, certainly within thousandths, that they were in the first year of the National Health Service."

Mr. Powell learned then, he says, that "there is no way of adjusting infinite demand to limited supply."

He learned, too, that when services are provided "free" by government, discontent is often a side effect. In the case of health service, the people of one area will complain when they hear that the people of another area have a newer government-provided hospital, or a newer treatment, than they do.

One fact that gets slight attention from boosters of nationalized medicine in the United States is that the sale of insurance covering doctors' and hospital services in Britain is increasing. With money collected from insurance companies, an increasing number of Britons are therefore able to pay directly for health services rather than get them "free."

Obviously, they feel they get better attention—and probably quicker service—by paying as private patients.

The British plan includes arrangements whereby a person can "go private" and pay for medical attention, or go "under the scheme," and have the government pay.

However, little private hospital care is available, Mr. Powell says. When he is asked: "Do you yourself use the national health scheme?" he quickly answers: "If I had an illness requiring serious hospital treatment I would insist upon having it 'on' the National Health Service."

Despite its drawbacks, Mr. Powell says there "is not the slightest possibility in the foreseeable future" that the national health plan in England will be abolished.

At the same time, he thinks that, although most doctors now have grown up under the national health scheme, many "would wish for there to be more independent sources of demand for their services."

What about the United States? Would a national health scheme be

Nationalized Medicine: "A Fashionable Folly" *continued*

acceptable here? "Most nations will commit the same follies," Mr. Powell says, "and it looks to me from a distance that any fashionable folly is at least as attractive to Americans as it is to Englishmen."

It is pointed out that several national medical care measures have been before Congress, including an Administration bill and one introduced by Sen. Edward M. Kennedy (D.-Mass.) that calls for what amounts to socialized medicine.

Mr. Powell's comment is that usually "the bad drives out the good." He adds: "I guess you will go to complete socialism—you will go the whole way." In his opinion, there is no happy medium between private and socialized medicine.

His views on a variety of other subjects are forthright:

Inflation. "If you really want to attack it—which I doubt—then you tell the government to stop it. Until I came to the United States for the first time, I thought the phrase, 'Government of the people, by the people, etc.,' was all flummery. I thought that was a load of flannel. But when I got here, I found it was a true description. You all bloody well are 'government' and nobody knows where government starts or stops in the U.S.A. Which makes the question, 'How to stop inflation,' more difficult.

"It would be easy for us in England. We just say to the government, 'Stop doing it.'

"Remember, nobody but government causes inflation because nobody but government manufactures or destroys money—apart from forgers.

"Inflation is caused by government because it is growth of money in a certain relationship to the growth of goods and services offered. The government controls money. Indeed, government is the creator of money. Government says to the people, 'Look, see this, this is money.'

"It's true that you can have inflation which isn't caused by government, but we don't in modern times. So this is rather by way of a footnote."

Economic terms. Such terms as "cost-push" and "demand-pull" irritate Mr. Powell, who has studied, written about and taught economics. He calls them "nonsense."

"There is always an immense quantity of nonsense going about," he says, "and the biggest quantity goes about in my part of the world—in politics—because we in politics are brought to the test of reality with much more delay than those who practice in other fields.

"For example, you would be surprised at the efficiency in a military headquarters as it gets nearer to the enemy. Similarly, I am sure that in a business there is a lot of nonsense. But it gets sorted out. Not so in politics.

"Cost-push and demand-pull—a lot of nonsense. It seems nonsense to say this itself when you think of the oceans of ink that have been expended in writing about them—but the fact that a thing is written about doesn't prove it is sense. On the contrary the more nonsensical it is, the more you can write about it."

Mr. Powell calls the term GNP (gross national product) nonsense as well. "The whole economic theory is not nonsense," he says, "but the GNP, if you treat it as other than an amusing compilation of disparate figures—like adding together cows and horses and teapots and pounds of coffee beans—if you treat it as anything other than that kind of statistical amusement, then it is nonsense."

World monetary and trade matters. Declines or increases in shares of world trade do not mean what we think they do, Mr. Powell argues.

"Decline is a statistical trick," he explains. "The consequence of the growth of total world trade is that the share of it which any country has must fall. It happened to Britain, France and Germany, and it is bound to happen to the United States.

"So the first prescription I have to offer is not to worry and don't bother with statistics."

The benefit of all trade, he continues, "is equal and opposite. It is precisely mutual. Therefore, there is an inherent contradiction in the notion of dominance in trade. The more nations there are, and the more international trade there is, the less the proportion carried out by any one nation. This is bound to happen."

Mr. Powell has a deep dislike for pegged currencies. He wants them to float and he deplores recent moves to re-peg currencies. The Western world, he feels, had a great chance to improve the global monetary situation last autumn when President Nixon unpegged the dollar. And he says he would like very much to write the obituary for the International Monetary Fund, which helps control currencies.

He has equally strong feelings against SDR's, the Special Drawing Rights created by nations and the IMF four years ago as an aid to international bookkeeping and debts payment. The drawing rights are commonly called "paper gold."

"SDR's," Mr. Powell says, "are fool's gold. They are a substance which can be lent without being borrowed and invested without being saved."

Labor unions. Mr. Powell declares flatly that "the net effect of labor unions has been to make workers slightly worse off than they otherwise would have been."

Unions, he says, slow the transfer of effort from less to more valuable applications.

"The more this is held up, the worse off we are, compared with what we could be," he adds. "And to the extent that labor unions, by a legalized duress, are able to prevent people from freely seeking their own advantage, they make themselves—as well as nearly everybody else—worse off. They probably don't make the leaders worse off."

Denationalization. Can a country far down the path of socialism change course and pull back to a freer enterprise arrangement without a violent overthrow of government?

Mr. Powell believes it is possible. "It is a thing which can be done gradually," he muses. "You don't have to denationalize all nationalized industries at once. You can take it bit by bit."

But he adds: "You have to say all at once that nationalization is a bad thing. You have to take that step."

Denationalization has come along far enough in Britain under the Conservatives that it is no longer a case of "piercing of an ideological barrier," he says. "Not with the nationalized industries. But with the National Health Service, it might be." END

Har

You're Never Too Little to Grow

Here's how groups of grass-roots entrepreneurs hone their skills at three-day seminars put on at Harvard Business School

PHOTOS: BY PACK, INC.

Prof. Milton P. Brown and class discuss business problems.

"Here's the problem," the professor says.

"This company was founded by a self-taught genius. His college degree was in education. But he learned electronics while working in an aircraft factory during World War II.

"Later, he invented an excellent hi-fi speaker. It was based on a revolutionary new way to reproduce low-frequency sound. Not only was it far better than any other, it was far more compact.

"He tried to sell it to hi-fi manufacturers. But none would touch it.

" 'You can't get good sound out of a speaker that little,' they sneered. So he had to start his own company. The first year, 1955, sales were $57,000. Ten years later, sales were $5.3 million, and profits $650,000."

One of the students in the class—all businessmen—can restrain himself no longer. "You call this a problem!" he protests.

"You haven't heard everything," the professor replies. "You see, some of our inventor's partners weren't happy.

"They felt he was a genius—but maybe not a businessman. He had hired a musician as a plant manager and a Latin teacher as a materials manager and had put a mathematician in charge of sales. They felt the company's production was inefficient, its marketing weak, its dealer relations poor, its pricing policy imprudent.

"But they had been getting by on a great produc'

"Could the company continue to grow? That was what bothered them. Somehow, the founder looked like a fly in the ointment. But he owned 51 per cent of the stock.

"So what do they do? That's the problem."

"Live-in" seminar

The hi-fi maker's woes were one of a half-dozen, real life business problems tackled at a three-day, "live-in" seminar at Harvard Business School.

It was the thirteenth such seminar sponsored by the Smaller Business Association of New England, Inc.—or SBANE.

Some 90 executives came from 11 states and the District of Columbia to attend it. More than a third were presidents or vice presidents of their firms. Many were "repeaters," who had gone through the course before.

Each year, however, says Lewis A. Shattuck, SBANE's executive vice president, "the participants discuss different cases."

Klein

"How do you solve this?" seminar members ask themselves in a class session.

Discuss may be too weak a word.

They live with the cases almost every waking hour—and take them seriously.

At night, from 8 to 10:30 or 11, they gather in groups of seven or eight to tear the problems apart and put them back together. These sessions are always lively, sometimes hot and heavy.

The next day, they and a Harvard Business School faculty member hash the problems over in class.

The day begins with breakfast at 7, and class from 8:15 to 11 a.m. Then there is study, a box lunch, and small-group discussion till 2:30 p.m. Then more class from 2:35 to 5 p.m. After drinks—5:30 to 6:15—and dinner, it's back to the books, followed by those nighttime group sessions.

Give and take

In class, the give and take between professor and businessmen-students is spirited.

The hi-fi firm case provokes a typical exchange:

"I think this company will have to resort to more conventional business methods," a voice from a back bench says indignantly. "You can't have dancers and school teachers as executives. I don't think you can run a successful business with a bunch of jokers."

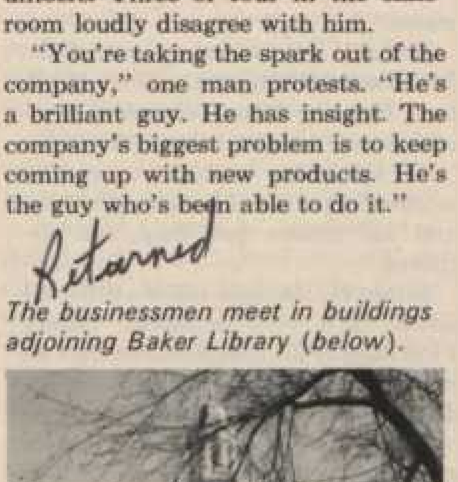
Another participant raises his hand and is recognized.

"Get rid of the inventor," he volunteers. Three or four in the classroom loudly disagree with him.

"You're taking the spark out of the company," one man protests. "He's a brilliant guy. He has insight. The company's biggest problem is to keep coming up with new products. He's the guy who's been able to do it."

Returned

The businessmen meet in buildings adjoining Baker Library (below).



Sumner Milender, president of W. Milender & Sons, Inc., a Boston leather dealer, chimes in:

"Look how many companies started out by creative guys are bought up by a big conglomerate. They put in charge some bright M.B.A.'s who use conventional business methods. In a few years, the company goes down the drain."

Dilemmas in Texas

A Texas chain of women's wear shops presents a different set of dilemmas.

The owner started it in the fall of 1954 with $25,000 of his own money. He had lots of experience—both retail and wholesale.

First, he opened three shops in the Houston area. In the next six months he started five more—one of them in Houston, the rest in other big Texas cities.

By July, 1956, he had 13 stores. By 1957, he had 16 plus a small factory where he made some of the dresses the shops sold.

Meanwhile, sales went from $107,000 a year to $727,000. Inventory rose from $27,000 to $146,000.

The owner had a chronic and growing need for money. His bank loaned him some, but insisted, several times,

You're Never Too Little to Grow *continued*

The businessmen, turned students, first gather in small groups to decide what they would do—if they ran the companies studied at the seminar.

that he slow down—until he paid his loans off. He promised he would. But he didn't.

Instead he kept right on adding new stores. And his loans doubled, from $15,000 to $30,000.

Now he wants to borrow another $10,000 to finance more inventory.

"So here's the problem—or problems," the professor says. "Should he slow down? Should the bank give him another loan? If not, what should he do to raise more operating capital?"

As usual, there's a wide variety of views.

Donald Gustafson, controller, Macdonald-Wadman Co., Inc., Needham Heights, Mass., electrical manufacturers' agents, takes a dim one:

"I think his problem is getting worse all the time. His sales per shop, and his profits per shop, are declining."

James H. Harmon takes a different slant. He's vice president, Safety First Supply Co., McKees Rocks, Pa., manufacturers and distributors of industrial safety equipment. He says:

"Even if average sales per shop are going down, that doesn't mean much. A lot of the stores are new. It usually takes a while for a new one to build up its sales volume."

Frederick Krosner, vice president, A. Leo Nash Steel Corp., Pittsfield, Mass., fabricators of structural steel, tends to agree:

"The fact that his sales per store are going down doesn't bother me. His main problem is that he's not giving his company the planning it needs."

Daniel Viles—president, Waltham Screw Co., manufacturer of screw machine products, Waltham, Mass.—won't buy that.

"Look at his profit and loss statement. I think he's a good businessman. He's making money."

Let's take this from the bank's point of view, the professor suggests. "Should it lend him more money and get in deeper?"

William F. Kidder Jr., loan officer, First National Bank of Boston, has his reservations:

"I'd be worried about him being a one-man show, if I were handling his loan application."

Richard O. Redlon, president, Redlon's, Inc., plumbing and heating wholesalers, Bath, Me., takes a rosier view:

"There are some assets. He has a $60,000 building."

But Mr. Milender asks: "How does the banker know that he doesn't have that pledged somewhere else?"

The professor replies: "If the banker doesn't know, he's even dumber than we think he is."

Crisis after crisis

Some corporate crises are so complex that it takes more than one classroom session to probe them. But at least two cases a day are handed to the participants with this query: How would you handle them?

For example:

- A Massachusetts maker of marine paint sells it like hot cakes in New England and Florida. But he can't make a dent in other markets.

• A West Coast seed wholesaler buys seed in the fall but can't sell it till spring. He wants a $150,000 bank loan to carry his inventory.

How do all these corporate cliff-hangers turn out?

Does the hi-fi maker keep on making a bundle?

Does the women's wear retailer crash or soar?

Is the Yankee paint manufacturer a smash in L.A.?

Does the seed firm bomb out at the bank?

No one really knows. Harvard provides no pat school solutions.

"This method of instruction," Mr. Shattuck says, "exposes you to a wide variety of business problems, forces you to think hard about them and gives you the benefit of a free exchange of ideas with others. That's where its value lies."

The businessmen agree. But the seminar is worthwhile in other ways, too, they say.

"You make some good friends, and valuable business contacts," says Roger Travis, president, Medicon, Inc., Holbrook, Mass. He has been to five SBANE seminars at Harvard Business School. He plans to attend them annually.

A wide range of businessmen

"One of the most valuable sources of information is the variety of businessmen I meet here," says Douglas E. Kellogg, president, The Foredom Electric Co., Bethel, Conn., attending his eleventh SBANE seminar.

Variety, the seminars have.

Executives present this year are as young as 26 and as old as 65. Their firms' sales range from $50,000 a year to $18 million. Some have a single employee. Others have up to 2,500.

The businesses include manufacturers, bankers, wholesalers, distributors, consultants, builders, printers and data processors.

Mr. Travis, 36, an M.I.T. graduate, launched his company six years ago. Sales the first year were $50,000; last year, $1.5 million. The firm makes some 45 sterile, disposable items—mostly for hospitals and home health care.

They include an inflatable vinyl splint—very useful at ski slopes—a flexible plastic eyedropper and a throwaway sitz bath.

"When a patient took a sitz bath in a hospital," Mr. Travis says, "he had to be wheeled from his room to a whirlpool bath. He had to undress, get in the thing for an hour or so, get dressed, and go back to his room. Then the bath had to be washed down before the next patient could use it.

"It cost anywhere from $25 to $50 a treatment.

"We came out with this plastic sitz bath that a patient could use in his bathroom. It cost less, provided better patient care and was portable. A patient could, if he liked, take it home with him.

"Our product came out at $3.75, and now sells for $2.25. It's a good example of how technology has lowered the cost of medical care."

Mr. Kellogg, 52, an Amherst alumnus, has been president of his firm since 1967. It makes and sells miniature power tools which range in price from about $60 to $200 each.

"One," he says, "is a screwdriver, with a vacuum pickup. Nobody makes one like it. It's used to drive tiny screws, like those in eyeglasses.

"In Laurinburg, N.C., a watch manufacturer had about 15 girls on an assembly line, laboriously making pocket watches by hand. They were picking up screws with tweezers, then setting them with a jeweler's tool.

"They put our screwdrivers on the assembly line, and productivity jumped by some fantastic amount."

Jason M. Cortell, 36, is president of Allied Biological Control Corp., Wellesley Hills, Mass. He and Vice President Charles E. Gilbert are both at the seminar. Allied's sales in 1959 were $36,000; now they run between $500,000 and $750,000 a year.

"Our firm," Mr. Cortell says, "is involved in environmental management.

"For example, if you have a lake that's green and slimy from algae, we clean it. One way is by aeration. A compressor on shore pumps a stream of air through special diffusion devices on the lake bottom. The rising air bubbles bring up cold water with them, causing a mixing action that kills or sharply curbs the algae.

"You can do it at very small cost."

Where Messrs. Cortell and Gilbert

You're Never Too Little to Grow *continued*

clean lakes, N. Douglas MacLeod Jr., 51, bends tubes. He's owner of Tubodyne Co., Bristol, R.I. Sales run from $100,000 to $150,000 a year.

"We have developed a specialized process for tube bending," Mr. MacLeod says. "We can change it to almost any configuration—a square tube, a triangle, an oval or a rectangle. This used to be all done by hand. We have developed machines that curve and cut it off all in one operation.

"Our biggest customers are the jewelry industry—for bracelets and earrings. We also do work for the auto, aircraft and boating industries."

Common denominator—a drive

What's the common denominator for tube benders, lake cleaners, makers of pint-sized power tools, disposable sitz baths—and all the other operators of highly specialized smaller businesses?

"Well, we all have the same problems," says James M. Kenneally, 49, general manager, California Products Corp., Cambridge, Mass. His firm makes, among other paints, a special coating for outdoor tennis courts.

"We have manufacturing problems, marketing problems, labor problems. Regardless of what business you're in, these things are the common denominator, I think."

And all seem to share the same basic drive—wanting to succeed under their own steam.

"I like to think of myself as an entrepreneur," says Mr. MacLeod, a self-taught mechanical engineer who was once a business student at Colby College.

Alphons J. Hackl, 55, president, Colortone Press, Washington, D.C., was born in Canada and reared in Salzburg, Austria, where he learned the printing trade. He moved to Washington while still in his teens.

In World War II, he rose to the rank of captain in the Army. He was single, and able to save some money.

"I sent it all back to my bank and told them to buy stock in Julius Garfinckel & Co., a local department store. The stock went up 10 to 20 times what I paid for it.

"So when I got out of the Army, I had about $20,000.

"That was enough to buy a printing press, and still have a little left for working capital. I thought there was a great need in Washington for fine printing. So I went into business for myself—to provide it."

The first year, 1946, Colortone's sales were about $100,000. Now they're about $2 million yearly.

Jeffrey F. Vendetti, 28, is president of V & W Associates, Inc., Brockton, Mass. He's a graduate of the Air Force Academy, an aeronautical engineer, mathematician and computer expert.

In 1969, after a four-year hitch in the Air Force, he went to work for International Business Machines. Last year, he and another IBM alumnus, Harvard M.B.A. Bert Winemiller, started their own firm.

For a fee, it manages a company's data processing department.

"We make sure," Mr. Vendetti says, "that top management gets what it wants from the computer—and at the lowest possible cost. And we sell a customer's unused time, if any, to other users."

Wasn't it hard to leave IBM?

"Yes," Mr. Vendetti says. "They pay a good wage and you have a lot of security. But you're a part of this $8 billion giant, and I felt like I really wasn't contributing too much.

"Now we can plan together where we want to go from here—and call the shots. It's a very satisfying feeling."

V & W Associates has seven employees and grossed about $200,000 its first year. It plans to do even better in 1972.

"The forest marches on"

Speaking of these grass-roots entrepreneurs, Associate Dean Frank L. Tucker of Harvard Business School, educational director of the seminar, says:

"Small business has been compared to a pine forest.

"The infant mortality rate is terrible. But the forest's onward push is relentless.

"I've seen a forest advance on an open area. You see the seedlings in front, the saplings behind them and the tall trees in back.

"Millions of seeds fall. A few sprout, fewer survive. But the forest marches on." END

Harr (See Foreign file)
netherlands etc

Islands in Transition

Automation has wiped out thousands of refinery jobs in the Netherlands Antilles, and no one is trying to be more helpful in creating new jobs than the oilmen

A glance at a divi-divi tree will tell you the way the wind is blowing on the sunny Netherlands Antillean island of Aruba. Literally, and also in an economic sense.

Trade winds that constantly sweep over these 69 square miles near the coast of Venezuela come from the northeast. As a result, the divi-divi, which starts life growing straight up like any other tree, soon looks like an inverted L. Its branches form a crinkly cluster pointing southwest.

In the south and west parts of the island are its largest city, Oranjestad, whose Dutch Caribbean-style shops attract throngs of U.S. tourists, and the beachfront hotels where most of those tourists stay and play.

Essentially, Aruba's only natural resources are a balmy climate—never cold, never really tropical because of the trade winds—and a pleasant population, which basically is of Indian extraction but includes many whites.

Rainfall—less than 22 inches a year—is not enough to support agriculture of any consequence: All the island's piped water comes from a giant desalination plant overlooking the Caribbean. (Drinking water—as pure as can be—is flavored by running it over coral, to put some calcium in it. Huge boilers keep production costs down, and electricity for the island is generated in the heating and evaporation process.)

The "greens" on the lone golf course are made of oiled sand. Cactus is used as fencing because of a scarcity of wood.

Tourism is Aruba's only growing source of large-scale employment. It was not always so.

In 1929, on the eastern end of Aruba, the first units of what was to become one of the world's largest refineries began processing crude oil from Venezuela's Lake Maracaibo. Lago Oil & Transport Co., Ltd., an affiliate of Standard Oil Co. of New Jersey, now produces 500,000 barrels of oil a day there.

When Lago began operations, Aruba's population was less than 10,000. Today, it is 60,000.

Automate or nothing

The company employs 1,600 people. But once, it employed 8,000. The need to keep costs competitive with those at refineries elsewhere made it imperative to automate. The alternative: No jobs at all.

To fully understand automation's impact on Aruba, you have to visit the island.

"When you lay off a man in the States," says a Lago official, "pretty soon he's apt to have a job two miles down the road. When you lay off a man in Aruba, he's just *there*."

On the island of Curaçao, 48 miles to the east, the situation has been much the same, as a 360,000-barrel-a-day Shell Oil Co. refinery also has automated.

Curaçao, too, has turned more and more to tourism.

(The two islands are the largest in the six-island Netherlands Antilles,

Islands in Transition *continued*

whose relationship with Holland is similar to that of Puerto Rico with the United States. Though Dutch is the official language, people on Aruba, on predominantly Negro Curaçao, and on neighboring Bonaire usually speak Papiamento, a melange of Spanish, Portuguese, Dutch and English. On the other three islands, 500 miles to the north, the basic tongue is English.)

Though hotels, many of which have gambling casinos, and tourist shops bring in money, they are not labor-intensive. And jobs are what Antilleans—with high literacy and living standards and low death rates—want most.

The Antillean government has launched a campaign to attract industry. It offers a string of tax incentives, touts labor whose wages generally run about half of those in the U.S., and notes that its associate membership in the Common Market is an asset for trade with Europe.

It has had some successes, notably the locating of a Texas Instruments, Inc., plant on Curaçao. The plant, where transistors and integrated circuits are assembled, has 1,500 employees, most of them women, and reports productivity is excellent.

But the government wants more successes. And no private source is trying to be more helpful than the oilmen.

"One of our ambitions," says Roy L. Trusty, president of Lago, "is to be the second largest employer on Aruba instead of the first."

Lago has been working with the government to bring in industry. When, for example, another firm expressed an interest in Aruba, the oil company offered to make housing available. It also has produced films showing the island's advantages. And it has invested in hotels, to help promote tourism.

Enter the entrepreneur

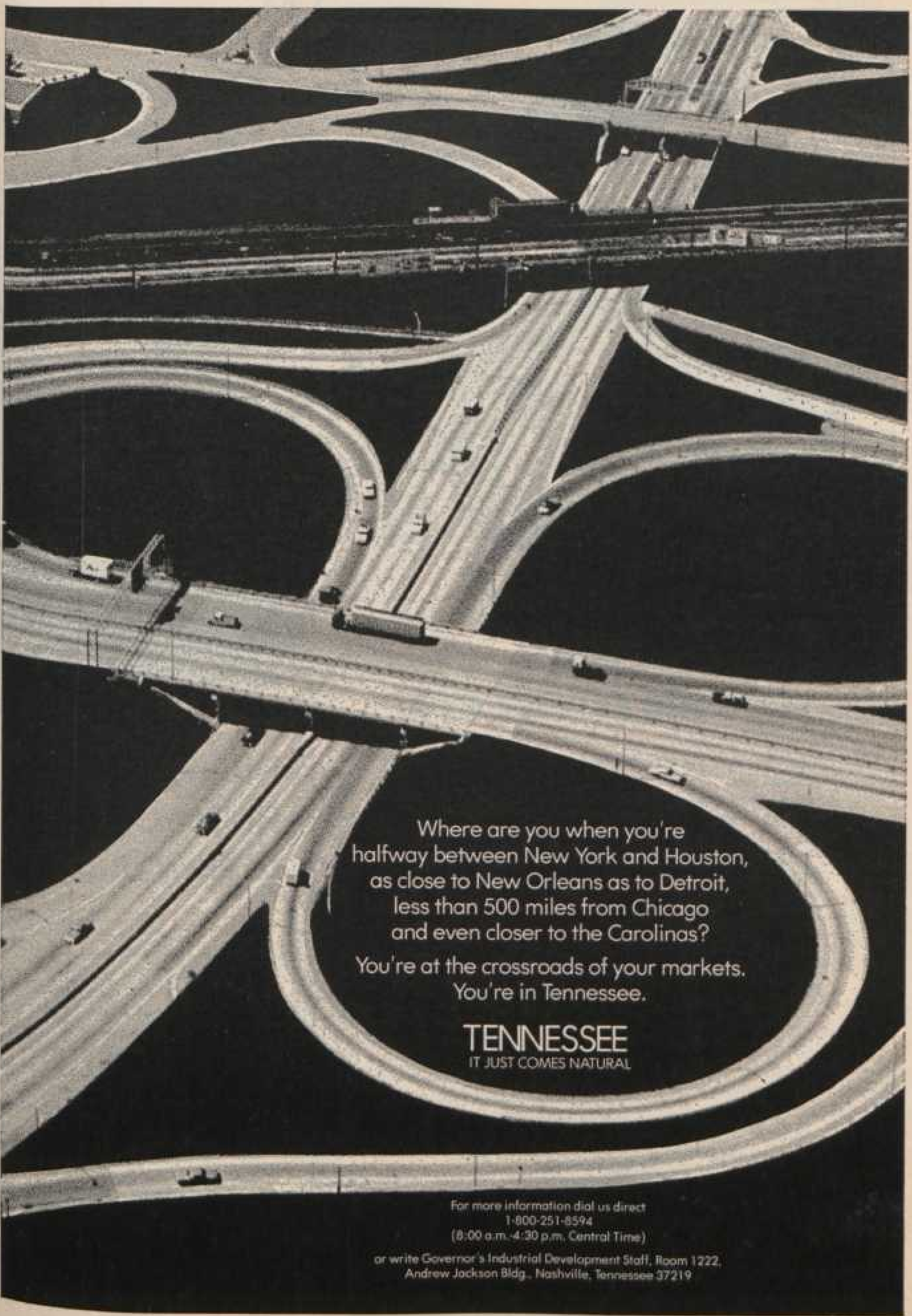
In addition, it has been promoting private entrepreneurship—in some cases simply by eliminating a company service for its employees and helping those who performed the service start a business of their own.

Aruba once had no commercial laundry. It does now, run by a man who used to launder as a Lago employee. He's been so successful, Mr. Trusty notes happily, that a rival commercial laundry has been started.

Ice making, radio maintenance, ship maintenance, painting, car leasing and catering businesses also have gotten under way with Lago's assistance. In all, some 500 jobs have been created this way—only a fraction of the jobs eliminated by automation, but a sizable number nevertheless.

Also, the company has repatriated hundreds of laid-off employees who came originally from outside the Antilles. And it has eased layoffs for others with a generous early retirement program, whereby a worker gets as much at 50 as he would have gotten at 60. The result of all this has been friendliness where there might have been bitterness.

Last March, a union contract dispute at Lago led to a 10-day strike. It was, says an executive, "as peaceful as a strike could be. People outside the gate said at one point that if there were a fire inside, they'd go in, put it out, and then go back out and picket some more." END



Sent to Cedar Point, Inc., 5/2/72

Riding an Old Roller Coaster to New Success

Thirteen years ago, a bold building plan went sour for two investment bankers in Ohio.

They had wanted to demolish a run-down amusement park, and in its place construct a massive marina/housing project—the "Ft. Lauderdale of the North"—on the shores of Lake Erie.

A surprise development wiped out the plan.

It turned out that there was deep-rooted affection for the amusement area, called Cedar Point Park, and people fought tenaciously to save it. Local groups even persuaded the Governor of Ohio to threaten a take-over by right of eminent domain in

order to keep the park in operation.

Reluctantly, the two partners, Emile Legros and George A. Roose, gave in. As Mr. Legros puts it, "We had no alternative. We elected to go into show business."

Rejuvenation of the park, located 60 miles west of Cleveland, became their objective. They threw their energies into the project and it produced two other surprises—Cedar Point has become both an uncommon financial success and a bonanza of personal satisfaction.

At the beginning, financial success certainly didn't seem to be in the cards. Mr. Legros and Mr. Roose had paid $50 a share for a roller coaster and a collection of aging rides that they say were worth only $1 a share.

But a stream of vacationers and local visitors has swelled to 30,000 per day, and sometimes more, during the park's season. In 1970, they spent $22 million at Cedar Point. Last year, the total was $25 million.

For the family

The basic ingredient of success has been to make Cedar Point a family playground. Mr. Roose, at 76 vice chairman of the board of Cedar Point, Inc., and still chairman of Toledo's Roose, Wade & Co., which specializes in municipal bonds, says:

"From the beginning we emphasized Cedar Point as a family attraction. And people responded. We have 400 employees—college girls in our Courtesy Corps, sweeperettes, security guards—whose prime function is to help families enjoy themselves here.

"Parents know their children can roam anywhere in the park in safety."

Master planning for the amusement area is open-ended. Mr. Legros, 65, who is chairman of Cedar Point, Inc.—he's a former president of The First Cleveland Corp., and still is a partner in Prescott, Merrill, Turben & Co., Cleveland investment brokers—says:

"We don't ever imagine a completed Cedar Point. The public's tastes change, new attractions come up."

To date, the partners have invested some $16 million in improvements and additions and are projecting expenditures of $2 million annually. "And most of that money," says Mr. Roose, "comes out of current cash flow."

Development of people is another key part of the plan.

"We have," says Mr. Roose, "a basic, year-round staff of 250 and a key management staff of about a dozen persons, whose average age is 37. Our new president, Truman Woodworth, was 56 when he was named.

"Every season, from shortly before Memorial Day through to Labor Day, we add 2,500 employees, and these people are housed and fed on the premises."

New frontier

Frontier Trail was the big addition last year to the park's 85 attractions.

To develop this village replica of pioneer America, two years were spent in research and another in locating and buying century-old shops and houses. These structures were carefully disassembled, shipped to Cedar Point and rebuilt.

Enterprises that could not be found intact, such as a 200-year-old glass factory, were re-created. To insure authenticity in this case, two railroad cars of bricks were ordered to pioneer-day specifications.

Whole families of craftsmen—smiths, glassblowers, ceramicists and weavers—were hired in the hills and valleys of West Virginia and the Carolinas to work at Frontier Trail.

"We have invested $1 million in Frontier Trail to date," says Mr. Legros, "and within two years it will have cost us $4 million. In addition to that, we're developing new high-capacity amusement rides capable of handling up to 4,000 passengers an hour, and those will cost $1.5 million apiece.

"We're pleased with what we've been able to accomplish . . . and we're achieving this acceptance and success just as America is entering an unparalleled boom in recreation and leisure pursuits.

"We don't miss 'Ft. Lauderdale of the North' any more. . . . In fact, I don't even know where the old plans are." —AVRUM SCHULZINGER

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Solving Consumer Problems the Voluntary Way

A group of executives is drawing up guidelines on how business can show its goodwill toward those who buy from it; you'll be hearing more about this work in the months to come

Proposing consumer legislation is not a Council role, but Executive Director William D. Lee, shown here conferring with Mrs. Virginia H. Knauer (back to camera), director of the President's Office of Consumer Affairs, says legislation and administrative rulings will benefit from the practical insights into business operations supplied by Council members.

On any cold, dry working day in Washington, William D. Lee, a deputy assistant secretary of Commerce, will be wearing fuzzy green boots.

Mr. Lee is a conservative dresser. But he has a personal consumer problem—the new green carpet in his office has been shedding lint over his shoes and the bottoms of his trousers.

Consumer problems are nothing new to the former General Electric Co. executive. Since he joined the Commerce Department in 1969, he has been a specialist in organizing Presidential councils concerning matters of public interest. His latest is the National Business Council for Consumer Affairs.

The NBCCA is a group of 116 top executives whom the President appointed last August to advise government and their fellow businessmen on how business can voluntarily take a more active role in meeting the concerns of the consumer.

Said Mr. Nixon: "Neither the government nor the consumer movement can alone solve these problems. . . . We must rely upon the traditional goodwill and sound practices of the business community."

Relaxing on a sofa in his fourth floor office in the Commerce Department building, Mr. Lee, who is the NBCCA's executive director, habitually frowns at those "boots" and from long practice starts rolling the lint into little balls.

"I tell you," he says, "if they could develop a carpet . . . ."

One of the Council members, a carpet manufacturer, told Mr. Lee the problem could be solved by installing a humidifier. (It won't be solved that way, however. Maintenance men don't want to interfere with the building's air-conditioning, and say Mr. Lee must wait for the lint to fade away, as it eventually will.)

Appropriately, in developing guidelines for business this is the type of question the Council has been pondering: Should the consumer be told he might need a humidifier when he buys a particular type of carpet?

Mr. Lee, who was one of the organizers of the National Industrial Pollution Control Council ["Industry Leaders Hunt Practical Answers to Pollution," NATION'S BUSINESS, January, 1971] was given the task of forming the NBCCA shortly after the President announced plans for it on Feb. 24, 1971, in his consumer message to Congress.

Mr. Lee and his staff of 11 had to cross a number of bridges before the NBCCA could get under way.

Seven issues

The Pollution Control Council had been established vertically, by industry. This obviously wouldn't work for the consumer group, because a product usually moves directly through several industries before reaching the actual consumer, and along the way

Consumer Problems *continued*

other industries become involved in some fashion.

The decision was made to concentrate on seven issues: advertising and promotion, packaging and labeling, warranties and guarantees, credit and other terms of sale, performance and service, product safety, and complaints and remedies.

Industries chosen to be represented were retailing, advertising agencies and media, and manufacturers and suppliers in the following fields: automotive; auto tires, batteries and accessories; toys; drugs and cosmetics; recreation/personal services; general consumer products; appliances and furniture; insurance; tobacco; alcoholic beverages; food products; apparel; consumer credit; and housing.

The next step was selecting the firms in these industries to tap for executive expertise. "We had to have a balance," Mr. Lee says. "Small, medium and large business, minority entrepreneurs, women and geographic dispersion."

It was hoped that only 50 executives would be needed for the NBCCA, but in the end the number asked to serve climbed to 119, of whom 116 were able to do so. All serve without pay, and they are not reimbursed for expenses, even though they must make frequent trips to Washington and other cities to attend meetings.

Co-chairmen of the Council are Robert E. Brooker, chairman of the executive committee, Marcor, Inc., and Donald S. Perkins, chairman and chief executive officer, Jewel Companies, Inc. Both of their firms are headquartered in Chicago—which enables them to work together more closely—and are directly involved with the consumer at the retail level.

"Not an apologist"

The NBCCA started operating Aug. 5 with a mission statement hammered out by an executive committee the night before in a Washington hotel. The statement said, in part:

"The Council will encourage and assist in the establishment of voluntary programs for industry action to anticipate and resolve consumer problems, and, when appropriate, make recommendations concerning legislation or executive action . . . .

"The Council is interested in issues which cross the entire spectrum of consumer affairs. It is not an after-the-fact defender, not an apologist for industry nor a spokesman for industries, companies or individuals.

"The Council supports and endorses consumerism and the growing, positive consumer expectations that it represents."

After meeting with the President that first day, the NBCCA promptly dropped from public view, but not before receiving a critical blast from consumer advocates, who demanded representation. This was denied since they weren't businessmen, and they already were represented on the Consumer Advisory Council, which works with Mrs. Virginia H. Knauer, director of the President's Office of Consumer Affairs.

It was decided to divide the NBCCA into seven subcouncils.

Devil's advocates

One individual plays the role of devil's advocate on each subcouncil, to serve as a catalyst. Mr. Lee describes them as "guys who offer a flint stone spark."

Taking such a position was Council Co-Chairman Perkins, when he sat in on the first meeting of the Packaging and Labeling Subcouncil. After listening to a discussion on how the consumer paper industry was conforming to trade association standards for sizes and labeling of tissue, Mr. Perkins noted that while the standards might be in effect, he knew of at least one company which apparently was not adhering to them. It recently had reduced the number of sheets in a roll of toilet tissue in order to avoid the appearance of a price rise.

Mr. Lee also sometimes plays devil's advocate. He cites a case in which he told a subcouncil that he could name companies of people sitting in the room "which haven't done the very things that you're saying here are good for the whole industry."

One of the executives, a driving force on the NBCCA, immediately challenged him. "Can you imagine reputable businessmen not having done these things?" he demanded, then said bluntly, "You're wrong."

Days later the businessman wrote to say he was glad names hadn't been mentioned because when he got back

to his company he had checked and found that, contrary to company policy, some of these "very things" weren't being done there. There had been a lack of communication within the company, it seemed. He corrected the situation.

According to Paul O'Day, Mr. Lee's deputy, the Council is pretty much on its time schedule to develop specific actions. Subcouncils have met frequently and the time is almost at hand when guidelines and information will be reaching the business community and the public.

Does the buyer understand?

Part of the information will be a report on the answers of nearly 1,000 chief executives to a letter asking how their companies use advertising and promotion programs to show they want to meet consumer expectations.

Trade associations will probably be asked to help on the warranties and guarantees issue, through projects in which their industries produce model forms featuring clarity and simplicity.

"Does the consumer understand it? That's the goal, not the protection of the manufacturer," says Mr. O'Day.

A performance and services report is being prepared that will, among other things, cover distribution practices and parts availability.

Action on product safety has taken two directions—examination of specific products such as lawnmowers, bicycles, playground equipment and toys—and studies of how to improve the system of setting standards.

"Our basic assumption," says Mr. O'Day, "is that regardless of what happens on the legislative side, the nation needs a strong voluntary system of standards."

Though the NBCCA may comment to the Secretary of Commerce on legislation or government administrative policies, it won't initiate either, and such comment is a secondary function for the Council.

Legislative and administrative policy will cover mandatory remedies. But the Council firmly believes, Mr. Lee says, that there can't be a fair government remedy for every problem in the marketplace.

So an NBCCA subcouncil on complaints has been looking at ways to improve and expedite voluntary set-

Have

Consumer Problems

continued

tling of complaints between seller and buyer. Another subcouncil is developing codes to govern billing and collections, the two areas that figure most in consumer complaints.

Barring unforeseen delays, the Packaging and Labeling Subcouncil will surface publicly this month with the first recommendations from an NBCCA group for voluntary actions on the part of the business community: "Guiding Principles for Responsible Packaging and Labeling."

Among practices the Subcouncil says the consumer "has the right to expect" are:

- Packaging and labeling in clearly understandable language that identifies the product in terms of its generic name; gives net quantity in weight measure, size or numerical count; and lists the name and place of business of the producer, packer, distributor or retailer. The manufacturer, says the Subcouncil, should be able to substantiate all performance characteristics that are on the package or label.
- Other useful or relevant information such as the number of servings, or applications obtainable from the product; directions for use; average life under normal storage; composition of the product, where applicable; health factors and safety warnings.
- Price information in a form that is understandable and useful. "Unit pricing"—giving price per standard quantity such as ounce or pound—probably will be advocated for food products.
- Packages that protect the quality and form of the product.
- Packages that are consistent with weight, measure or numerical contents; contain all the declared contents; are as full as is practical, in accordance with good business practices; and as far as possible, conserve natural resources.

The business community's reaction to this first guideline can have a decisive impact on the vitality of the Council. Mr. Lee believes the reaction will be a positive one.

He likes to quote one executive on the NBCCA who announced that when his own company took extra steps "to act nice to the consumer, our business increased." The Council's efforts, Mr. Lee feels, will benefit both the businessman and the buyer. END

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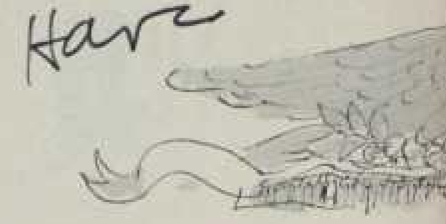


The nation's chief geologist, a space scientist, and a deputy director of the Central Intelligence Agency are among the 1972 recipients of the annual Career Service Awards given by the National Civil Service League.

In the past, the selection criteria has always called for 10 years of excellence in public service, but this year two men were given special achievement awards without regard to length of time in government.

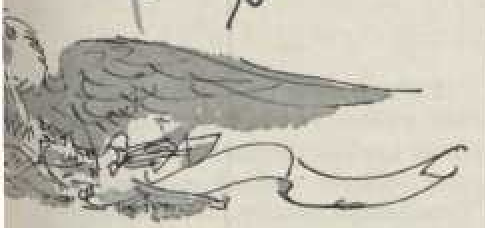
Dr. Daniel V. DeSimone, chief of the Office of Invention and Innovation of the Institute for Applied Technology at the Commerce Department's National Bureau of Standards, was picked for his leadership on a study aimed at putting the U.S. on the metric system of measurement.

Clifford D. May Jr., deputy manager of the National Communications System, Department of Defense, was singled out for his role in the 1963 agreement establishing a "hot line" between the President and the Soviet Premier and for work in the Strategic Arms Limitation Talks between the U.S. and the Soviets.

The eight other honorees are:

- Clark H. Harper, associate administrator for administration, Federal Aviation Administration, Department of Transportation, for innovative financial management.
- Martin J. Hillenbrand, Assistant Secretary of State for European Affairs, for his contributions to formation of American policy in postwar Europe.

Karl "Sea Eagle"



• Thomas H. Karamessines, deputy director for plans, Central Intelligence Agency, for unheralded work in the delicate and complex field of international intelligence operations.
• Dr. Vincent E. McKelvey, director, U.S. Geological Survey, Department of the Interior, for many scientific achievements in geology and administration, and for contributions to the national energy policy.
• Irene Parsons, assistant administrator for personnel, Veterans Administration, for leadership during major agency reorganizations and for enhancing equal opportunities for minorities, women and the handicapped.
• Dr. Fred L. Whipple, director, Astrophysical Observatory, Smithsonian Institution, for outstanding scientific contributions as builder and director of the nation's only astrophysical observatory and for contributions to space and defense research.
• Charles F. Wilson, chief, Conciliations Division, Equal Employment Opportunity Commission, for work to halt discrimination and increase job opportunities for minorities and women.
• Dr. Laurence N. Woodworth, chief of staff, Joint Committee on Internal Revenue Taxation, U.S. Congress, for expertise and social conscience in formulating intricate tax laws such as the Revenue Acts of 1962 and 1964 and the 1969 Tax Reform Act.

END

18 Per Cent of Voters Are Fledglings

Eighteen per cent of the eligible 140 million voters this year will be those aged 18 through 24 who, if they vote, will be casting a ballot in a Presidential election for the first time.

These 25 million potential voters were born between 1948 and 1954, when the post-World War II baby boom was approaching its peak. About 14 million would have been eligible to vote this year even if Congress had not lowered the age limit to 18, which added another 11 million.

California leads all states in this voter age bracket—it has 2.6 million, about 19 per cent of that state's voting potential. New York has 2.1 million, about 16 per cent of its total.

How many of the newly enfranchised 25 million will vote is an unanswered question. A Bureau of Census survey following the 1968 election showed only about 51 per cent of those between 21 and 25 said they had voted. And in four states where citizens under 21 could vote, 33 per cent had.

Among those over 25, 70 per cent had cast ballots.

The 1968 election survey indicated that among young people, whites are more likely to vote than blacks; residents of the North and West more apt to vote than those in the South; people with some college more apt to than those who have not been to college; white collar workers more than blue collar.

Many young people who are old enough to vote may fail to qualify for residency reasons, because they are in the movingest segment of the U.S. population. The Census Bureau reports that 36 per cent of those 18 through 24 move to a different residence each year. This compares with 20 per cent of the total population.
END

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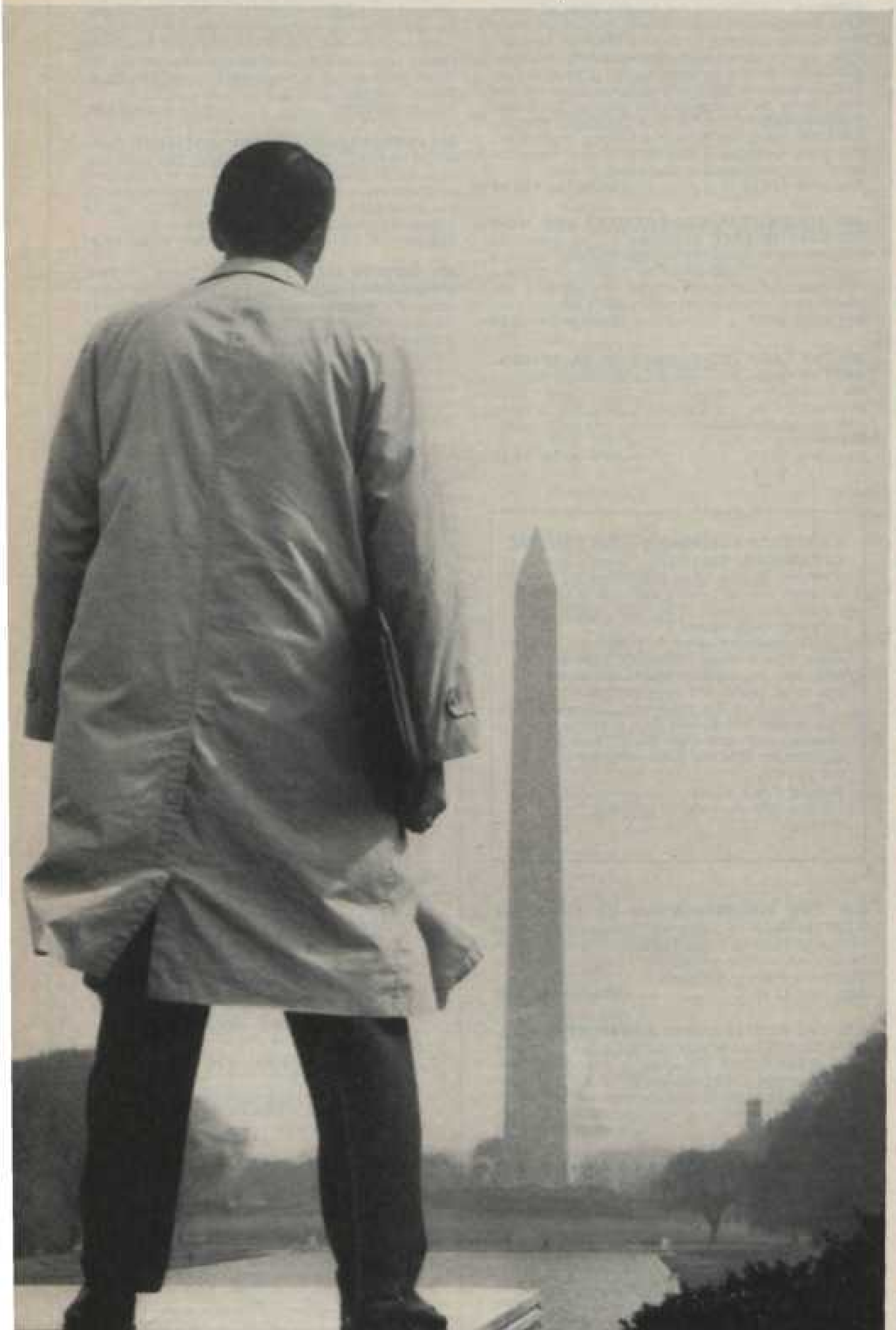

YOU, TOO, CAN SPEAK FOR ORGANIZED BUSINESS

Many concerned citizens are having misgivings listening to the many voices they hear about business.

Many cries are for undermining the competitive enterprise system.

Even Congress is beginning to wonder if it has not gone too far in enacting so much generalized social legislation which hampers the growth of the American economy.

Many questions are being asked by thoughtful people.

How long can organized labor victimize the American people?

Has the massive list of welfare recipients grown beyond control?

Will American business or the American people tolerate wage and price controls over a long period of time?

Can we meet our energy demands?

How can we change the trend of fierce competition with foreign producers for domestic and overseas markets?

These are just a few of the many questions and issues on the public's view that responsible business leaders need to understand. Because the more you learn about what needs to be done and said . . . and how to do it . . . the better equipped you will be to help.

That is why you should plan to attend the National Chamber's 60th Annual Meeting in Washington, April 30-May 2.

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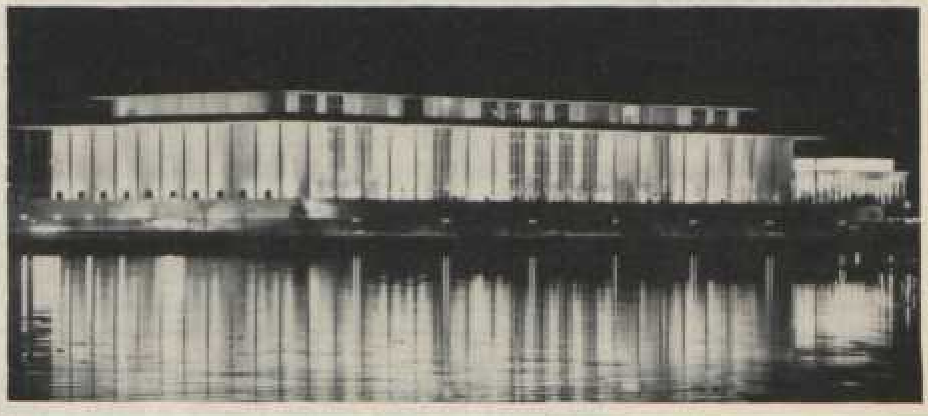
The enlightened action that comes out of this Annual Meeting will make a difference in the American enterprise system. So will the ideas, information and inspiration which you get out of the Meeting.

We believe in your own future and the future of the United States. Plan to attend this important event.

Use the coupon for more information about the National Chamber's 60th Annual Meeting in Washington, April 30-May 1, 2. Or, check with your local or state chamber of commerce, or trade or professional association.



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BUSINESS A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

AGRICULTURE

The day may be coming when your trees get "shots" to fight infection much the same way man and animal do.

The Forest Service reports it's on the threshold of a major breakthrough in the control of tree disease: Injecting soluble benomyl, a chemical fungicide, directly into the tree. One dramatic result could be a halt in the steady death toll among our most valuable shade trees—native American elms—which annually runs into the thousands.

It takes 15 to 30 minutes to give a 60-foot tree its shot with an injection device belted to the tree's trunk. Introduced under pressure, in tests last fall, the chemical spread rapidly to the farthest twigs. Tests are now scheduled to determine the effect sap movement has on the injection process.

Benomyl has already proven effective, in powder form, against elm wilt, as well as against oak and maple wilts. But its value obviously could be greater inside a tree than on the tree's surface. Scientists say the shots could supplant spraying in some cases, and could even inoculate trees against infection.

CONSTRUCTION

The mobile home industry is confident that its production will soar above the 700,000 unit-a-year mark by 1975—and perhaps even higher if the new 14-foot-width models keep on attracting customers. Now legal on highways of 32 states, these larger units account for 15 per cent of sales.

In 1971 a record total of 485,000 mobile units were produced, up 21 per cent from 1970. The 1972 performance is expected to reflect an 18 per cent improvement.

"We could even shatter the 600,000 barrier in 1973," says Board Chairman Donald L. Greenwalt of the Mobile Home Manufacturers Association.

Many real estate men are eying this housing market. About 25 per cent of homes sold are mobile units.

Mobile homes currently are licensed by state motor vehicle departments, but efforts to bring sales under jurisdiction of state real estate commissioners can be expected.

MARKETING

At the current rate of sales growth it probably won't be long before there's a color television set in just about every U.S. home.

A survey by the American Research Bureau, Beltsville, Md. found that 53 per cent of homes now have color sets, up 17 per cent from 1970. And the Electronic Industries Association reports color sales last year were up 39 per cent over 1970.

Barton Kreuzer, RCA executive vice president for consumer electronics, estimates that some 370 million TV units will be sold in the U.S. in the next 25 years, over two thirds of them color sets.

He predicts sales of consumer electronics products between now and the year 2,000 could well aggregate about $500 billion, with $200 billion of this going for TV sets.

NATURAL RESOURCES

As the controversy continues over how to clean up the automobile engine to meet the 1975 environmental regulations, some cost figures are emerging.

Englehard Minerals and Chemicals Corp. has been testing a foot-long catalytic converter it says will meet new exhaust emission standards. The converter looks like an artillery shell and uses a smidgen of the precious metal, platinum.

The firm says that once in mass production the device will sell for around $50 and will be good for at least 50,000 miles of operation. Replacing one will be like changing an oil filter.

Englehard has extensively tested the device on thousands of forklift trucks using unleaded gasoline. Leaded gasoline and some other additives rapidly deactivate the platinum catalyst.

Ford Motor Co. will use Englehard converters for vehicles sold in California in 1974.

FOREIGN TRADE

Strong opposition has surfaced in the coal industry to the importation of liquefied natural gas as a long-range answer to the growing natural gas shortage.

The National Coal Association doesn't oppose limited imports "for the years immediately ahead," because domestic supplies aren't able to meet the demand.

But, says Carl E. Bagge, NCA president, imports should only be allowed until technology can be developed whereby synthetic gas can be produced economically from domestic coal and oil shale supplies. "If imports are allowed to capture the gas market as they have flooded the market for residual fuel oil, there will be no incentive to make the large investments required to establish a coal gasification industry in the United States," he says.

The U.S. now imports about 4 per cent of the gas it consumes. Unless new domestic supplies are found or substitute sources are developed, the National Petroleum Council predicts, this country will have to rely on imports for a much greater percentage of its gas by 1985.

MANUFACTURING

New developments in packaged electrical power—batteries—are signaling a $2-billion-a-year market by 1975.

Experts from ESB Inc. of Philadelphia, the giant maker of batteries, say that the pace of technology and demands for portability and miniaturization indicate an age of increasing use of battery power.

New types of battery systems that promise greater performance are on the horizon for the consumer. For example, mercury-cadmium batteries, commonly used today by the military and in industry, offer a shelf life of from 10 to 20 years.

Also in military use are magnesium dry cell batteries that can operate in temperatures ranging from minus 40 degrees to 160 degrees above zero, Fahrenheit.

And further ahead, batteries using lithium may provide four times the power now available from the same size standard carbon-zinc dry cell. The relatively new alkaline-type dry cell batteries already offer twice the power of the standard cell.

SECURITIES

A central marketplace for "put" and "call" options may get under way this fall if the Securities and Exchange Commission approves a concept of the Chicago Board of Trade.

Subject to formal SEC registration, the newly organized Chicago Board Options Exchange is slated initially to trade in "calls," which are options to buy. Once experience has been gained, the CBOE will also handle "puts," which are options to sell.

The Exchange expects to restrict operations at the outset to 20 to 50 widely held, actively traded stocks.

Joseph Sullivan, CBOE president says one example of the Exchange's potential is that "portfolio managers should be able to use the market for hedging purposes in much the same manner as commodities dealers have used markets for years."

According to the CBOE, trading in put and call options is presently about 1 per cent of the stock trading volume in the nation.

TRANSPORTATION

Builders of ferro-cement hulls for vessels say their products grow stronger with age, and now a discovery should strengthen them even more.

Growing in popularity for leisure boating, but also attracting Navy interest, ferro-cement is highly adaptable for other marine applications and for thin shell structures ashore.

Ribs of steel reinforcing rods and a number of layers of steel mesh, such as galvanized chicken wire, form the basic framework for ferro-cementing.

Mortar is used to fill this skeleton and a thin layer of mortar is spread over the surface.

Scientists at the University of California, Berkeley, in a study supported by the Office of Naval Research, found that when galvanized (zinc-coated) mesh and ungalvanized steel are used with portland cement, an electrochemical reaction produces hydrogen bubbles. The bubbles adhere to the steel, causing a poor bond.

This discovery prompts builders to add about $1 worth of chromium trioxide to each 50 gallons of cement to produce bubble-free ferro-cement. Tests show the structure's strength increases 50 per cent.

Editorial
The Real News

If the headlines reported that Congress was considering a $300 tax increase for you, you'd sit up and take notice.

And you would probably let Congress know how you felt about it.

Well, the Congress right now is considering a bill that would raise your taxes about $300 a year.

It's the Social Security/Welfare Bill. Under the Social Security part, your taxes would go up $145.20.

The cost of the welfare part is not nearly so precise. But it's certain to be at least as much as the Social Security increase.

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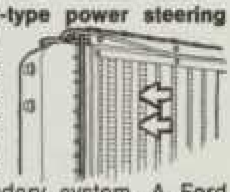

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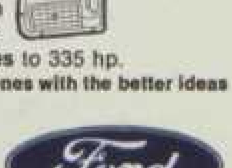

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